Municipal Affairs

Annual Report
2012-2013

Alberta

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

On May 8, 2012, the government announced new ministry structures. The 2012-13 ministry annual reports and financial statements have been prepared based on the new ministry structure.

This annual report of the Ministry of Municipal Affairs contains the minister's accountability statement, the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This ministry annual report also includes:

- **the financial statements of entities making up the ministry including the Department of Municipal Affairs, regulated funds, provincial agencies and Crown-controlled corporations for which the minister is responsible;**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the ministry has anything to report; and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2013, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at May 29, 2013 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by Doug Griffiths]

Honourable Doug Griffiths
Minister of Municipal Affairs

Message from the Minister

Alberta is best defined by its people – people working together to achieve a high quality of life for themselves, their families and neighbours. All Albertans are striving to make our province a great place to live, work and play.

Our government is committed to supporting Albertans in this vision and Municipal Affairs is all about working together to make that happen.

Whether it's streamlining emergency management response; improving safety codes; expanding affordable housing; supporting enhanced public library services; or strengthening governance of our communities through effective provincial/municipal roles and investments in infrastructure, this ministry is about collaboration.

Over the past year, Municipal Affairs has helped communities across Alberta become even stronger and more resilient. We continue to demonstrate our commitment to a strong fiscal framework and accountability, providing strategic leadership and support to our many partners and stakeholders.

We continue to support local priorities with significant investments through the Municipal Sustainability Initiative. This helps ensure critical infrastructure such as roads and water treatment plants are developed, along with facilities that bring people together such as pools and recreation centres. In 2012-13, $848.8 million was provided to municipalities, supporting over 700 projects.

This past year also saw the rebuilding and recovery of the Slave Lake region continue, along with further assistance to other areas of the province through Disaster Recovery Programs and Municipal Wildfire Assistance Programs. We also worked to strengthen the Provincial Operations Centre and the support programs we provide to municipalities and Métis and First Nation communities for their emergency management programs. It's also worth noting Alberta received two international awards recognizing our Emergency Alert system. This further inspires our drive to improve public safety, which depends on effective co-ordination with our many partners.

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At the same time, the ministry continued to foster collaboration with its support of the Capital Region Board and Calgary Regional Partnership. A memorandum of understanding to work with our two largest cities was signed to develop a civic charter to help meet their current and future needs.

A significant step was taken to strengthen the foundation of this province and its communities with the approval for a comprehensive review of the *Municipal Government Act (MGA)*. The *MGA* is one of Alberta's largest pieces of legislation and guides both municipal and provincial roles.

A strong legislative framework was also put in place with the *New Home Buyer Protection Act*. This Act will make new home warranty programs mandatory, to protect the consumer and strengthen the home building industry.

We continue to offer our support for those who struggle with finding safe, affordable housing. Having previously met our target to develop 11,000 affordable housing units, we have turned our attention to a long-term real estate strategy. This strategy invests in the regeneration and repair of our existing housing portfolio, and responds to the growing need for seniors housing.

In this annual report you'll find many more examples of new investments and actions we are taking to support Albertans and their municipalities. What should not be overlooked is the steady everyday work that sustains our towns, cities and counties across the province. This includes support to public libraries which help build strong communities as they engage, inspire and inform citizens. Consistent local leadership is also supported through the Municipal Government Board (MGB). The MGB ensures decisions by local councils are fair and accountable; and serve the best interests of all citizens affected.

The depth and breadth of Municipal Affairs' work is immense, and I am proud to report that, together with our many partners, we continue to strive for and achieve excellence on behalf of Albertans, their families and communities.

[Original signed by Doug Griffiths]

Honourable Doug Griffiths
Minister of Municipal Affairs

Management's Responsibility for Reporting

The Ministry of Municipal Affairs includes the Department of Municipal Affairs, the Special Areas Board, seven Improvement Districts, the Alberta Social Housing Corporation and the Safety Codes Council.

The Department of Municipal Affairs consists of the Local Government Services Division, the Municipal Government Board, the Housing Division, the Public Safety Division, the Alberta Emergency Management Agency and the Corporate Strategic Services Division. The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Municipal Affairs. Under the direction of the minister, I oversee the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- **Reliability** – information agrees with underlying data and the sources used to prepare it.
- **Understandability and Comparability** – current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- **Completeness** – performance measures and targets match those included in Budget 2012.

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As Deputy Minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board, the Minister of Finance and the Minister of Municipal Affairs information needed to fulfill their responsibilities; and
- facilitate preparation of ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by Paul Whittaker]

Paul Whittaker
Deputy Minister, Municipal Affairs
May 29, 2013

RESULTS ANALYSIS

Ministry Overview

The Ministry of Municipal Affairs

The Ministry of Municipal Affairs includes the Department of Municipal Affairs, the Special Areas Board, seven Improvement Districts, the Alberta Social Housing Corporation and the Safety Codes Council.

The Department of Municipal Affairs

Local Government Services Division

Local Government Services provides support and advice to assist municipalities in providing Albertans with strong and effective local government.

The division provides advisory services, training, internship programs, and other forms of assistance to support municipalities in building capacity and strengthening long-term viability. The division administers several grant programs, including the Municipal Sustainability Initiative, which reflects the government's funding commitments to municipalities.

The division leads a number of strategic initiatives such as the *Municipal Government Act* (*MGA*) review, the Municipal Sustainability Strategy, and Slave Lake recovery activities; provides support for the planning and operational activities of the Capital Region Board and the Calgary Regional Partnership; and contributes to cross-ministry initiatives related to the Land-use Framework, the Water for Life Strategy, and Responsible Actions: A Plan for Alberta's Oil Sands.

This division fosters municipal co-operation through land-use planning assistance, mediation programming, and financial support for regional collaboration.

Local Government Services provides assistance and advice to municipalities on matters related to property assessment and taxation. It oversees the policies and procedures for the assessment of property in Alberta; determines each municipality's share of the education tax; and reviews and audits municipal property assessments. The division also assesses linear property, such as oil and gas wells, pipelines, electric power systems (generation, transmission, and distribution) and telecommunication systems for Alberta municipalities. Equalized assessments are a way to bring all municipalities' assessments to a common level so that costs of shared programs can be allocated equitably among municipalities. They are generated for the purposes of requisitioning taxes for intermunicipal cost-sharing programs, and for use in formulas for calculating various grants to municipalities.

Municipal Government Board

The Municipal Government Board conducts independent, quasijudicial adjudication functions required by the *Municipal Government Act* with respect to linear property assessment complaints (assessment appeals of properties such as pipelines, oil/gas wells, power generation plants and other regulated linear properties), equalized assessment appeals, subdivision appeals, annexation recommendations, intermunicipal disputes and other matters referred to the board by the Minister of Municipal Affairs or Lieutenant Governor in Council. In addition, the Municipal Government Board provides a member to municipal assessment review boards to adjudicate property assessment complaints.

Housing Division

The Housing Division partners with more than 340 organizations, including municipalities, community-based housing management bodies, non-profit organizations and the private sector in order to provide low-income Albertans with options for access to below-market housing options and supports that meet their basic needs.

The division supports housing management bodies in delivery of provincial housing programs and maintaining and revitalizing the province's existing housing portfolio; by enhancing the supply of sustainable housing options available to Albertans; monitoring agreements related to approximately 17,000 affordable housing units; ensuring the operations of over 36,600 provincially-owned and/or supported social housing and seniors lodge units are managed effectively; providing support and operational funding to the social housing, seniors lodge and rent supplement programs; as well as other grant initiatives delivered through the department and the Alberta Social Housing Corporation.

Public Safety Division

The Public Safety Division administers a framework of safety codes and standards, supports Alberta's fire service, is implementing the mandatory new home warranty framework, manages the Tank Site Remediation program and provides support and advice to municipalities on all matters relating to the division's business.

Safety codes and standards ensure the safe construction, operation and maintenance of buildings, facilities and associated equipment. For the division this includes administering the *Safety Codes Act*, which establishes codes, standards and administrative processes in 10 disciplines: building, fire, plumbing, gas, electrical, elevators, amusement rides, passenger ropeways (ski lifts), pressure equipment, and private sewage disposal systems. The division also represents the Government of Alberta (GoA) as national and international codes and standards are developed. Additionally, the division provides technical advice and program support to municipalities, industry and the public; and works with the Safety Codes Council to assist and monitor municipalities, corporations, and three delegated administrative organizations that have been accredited to administer safety codes and standards. The Public Safety Division also oversees the agencies that deliver permit and inspection services in unaccredited municipalities that are not accredited to deliver these services.

The division provides support and advice to fire departments and municipalities on matters related to fire services. The division works with government departments, municipalities, First Nations and other stakeholders to promote fire and injury prevention and support effective community risk-management. This work includes fire risk-management, public awareness and prevention programs, fire investigations, and safety-codes-system support – including inspections, technical guidance, and data collection and analysis. The division also supports the search and rescue sector of the public safety system by offering grants and training support.

The New Home Buyer Protection Office is responsible for developing and supporting the *New Home Buyer Protection Act*. Currently, the office is in the process of developing the supporting regulations, a publicly accessible online database and building capacity to enforce and support the *New Home Buyer Protection Act*.

Alberta Emergency Management Agency

The Alberta Emergency Management Agency (AEMA) co-ordinates with emergency management partners to provide a provincewide public safety system that protects Albertans, their property, the environment, and the economy against all hazards. The AEMA provides strategic policy direction and leadership through the co-ordination of emergency management programs that include aspects of emergency prevention, preparation, mitigation, response, and recovery.

The *Emergency Management Act* governs the AEMA and provides the authority to act in an emergency. The AEMA operates under two regulations:

1) The Disaster Recovery Regulation, which allows the AEMA to provide financial assistance to people affected by disasters; and
2) The Government Emergency Management Regulation, which deals with mitigation and response strategies for individual and multidepartment business disruptions.

The AEMA provides both direction and resources to its partners in order to ensure the most efficient safety systems are in place to prevent and/or respond to a disaster. The system requires all emergency management partners to work together to provide seamless, co-ordinated response to emergencies. In disaster situations, the AEMA co-ordinates this response and offers direct support and assistance to community operations where needed.

The AEMA supports continuous improvement of Alberta's public safety system and assists with the development of sustainable emergency management capabilities; emergency social services; and amateur radio operators in Alberta's communities, industries, and government. It does this by:

- providing leadership and strategic policy direction in support of GoA's public safety governance and emergency management initiatives;
- collaborating with provincial, territorial, federal and international stakeholders to promote a more co-ordinated approach to emergency management across jurisdictions;
- strengthening provincial public safety co-ordination and assuring the availability and readiness of the Provincial Operations Centre to co-ordinate cross-ministry response and recovery operations; and
- developing, reviewing and maintaining the GoA emergency, consequence management, and GoA business continuity plans.

The AEMA also supports continuous improvement of Alberta's public safety system by:

- encouraging the development of partnerships within regions and among emergency management partners and stakeholders;
- conducting research and fostering knowledge-sharing;
- modernizing training provided to the GoA and communities, and the policies for provincial training grants;
- leading Alberta's emergency alert system; and
- providing recovery assistance and operations, including disaster recovery programs.

Corporate Strategic Services Division

On behalf of the ministry, Corporate Strategic Services is responsible for information technology, financial services, strategic business planning and policy development, and administrative functions. The division also leads the ministry's performance measurement, environmental scanning, enterprise risk management, legislative planning, and information access and privacy protection.

Public Library Services Branch is part of this division. This branch provides leadership in provincial public library policy development, supports the provincewide public library network in their provision of library services to Albertans, and provides operating funding to municipal and regional library system boards to help them capitalize on the use of technology and share library resources across the province.

Other Entities and Supports

Special Areas Board

The Special Areas Board is appointed by the Lieutenant Governor in Council. The board is responsible for the management and administration of 2.6 million acres of public land located in southeast Alberta and the provision of municipal services to the residents of these areas.

Services include:

- the maintenance and construction of local roads;
- the maintenance of parks;
- the provision of water services;
- public-land management (grazing, cultivation, and oil and gas development);
- emergency and protective services; and
- rural stabilization and economic development.

Improvement Districts

Municipal Affairs provides limited municipal services in seven improvement districts, including Waterton National Park, Banff National Park, Jasper National Park, Elk Island National Park, Wood Buffalo National Park, Willmore Wilderness Park, and Improvement District No. 349 (located in north eastern Alberta). The provincial government, through Municipal Affairs, is responsible for all functions of local government in these improvement districts, including the levy and collection of taxes.

Alberta Social Housing Corporation

The Alberta Social Housing Corporation is an entity under the ministry and operates under the authority of the *Alberta Housing Act*. The corporation owns and administers the province's portfolio of lodge and social housing and manages agreements associated with those assets. It facilitates the provision of lodge and social housing options for low-income Albertans, including individuals, families, seniors and those with special needs, through community-based housing management bodies, which operate and maintain a majority of provincially-owned housing.

In addition, the Alberta Social Housing Corporation directly operates units not managed by housing management bodies and administers the sale of provincially-owned properties that are no longer efficient or effective for social housing programs. The corporation also oversees provincial commitments and entitlements remaining from discontinued business activities, such as mortgages and loan guarantees and directly operates and acts as the landlord for a small portion of units classified as "rural housing."

Safety Codes Council

The Safety Codes Council is a corporation established under the *Safety Codes Act*, responsible to the Minister of Municipal Affairs. It is comprised of volunteer industry stakeholders with expertise in the codes and standards discipline areas to which the Act applies. The Safety Codes Council's responsibilities include assisting government in the formulation of Alberta's safety codes and standards and advising the Minister on related matters; training and certifying safety codes officers; accrediting municipalities and corporations to administer the Act; and accrediting agencies that provide services to accredited entities. The council also administers an appeals process for decisions made under the *Safety Codes Act*, such as orders, accreditation designations and safety codes officer certification; delivers public safety programs to industry and communities; and administers a provincewide electronic permit and information system.

Support Services

Staff from specialized areas support the department in achieving its business plan goals, strategic policy support and development, and strategic planning. Services include the provision of legal advice regarding the ministry's acts and regulations, legal representation before the courts and various administrative tribunals, human resources, and communicating information to Albertans.

Shared Services

Municipal Affairs continues to receive some administrative, information technology, financial and human resource processing services from Service Alberta.

Review Engagement Report

AUDITOR GENERAL *Alberta*

To the Members of the Legislative Assembly

I have reviewed the performance measure identified as reviewed by the Office of the Auditor General in the Ministry of Municipal Affairs' Annual Report 2012-2013. The reviewed performance measure is the responsibility of the ministry and is prepared based on the following criteria:

- Reliability – The information used in applying performance measure methodology agrees with underlying source data for the current and prior years' results.
- Understandability – The performance measure methodology and results are presented clearly.
- Comparability – The methodology for performance measure preparation is applied consistently for the current and prior years' results.
- Completeness – The goal, performance measure and related target match those included in the ministry's budget 2012.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measure. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measure in demonstrating ministry progress towards the related goal.

Based on my review, nothing has come to my attention that causes me to believe that the performance measure identified as reviewed by Office of the Auditor General in the ministry's annual report 2012-2013 is not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

March 18, 2013

Edmonton, Alberta

Performance measure reviewed by the Office of the Auditor General is noted with an asterisk (*) on the Performance Measures Summary Table

2012-13 Performance Measures Summary Table

Goals and Performance Measures	Prior Year's Results				Target	Actual
	2008-09	2009-10	2010-11	2011-12	2012-13	2012-13
Goal 1: *Enhanced long-term viability and accountability of municipalities and their communities*						
Measure 1.a: Usage of public library services by Alberta households	63%	67%	63%	62%	70%	59%
Measure 1.b: Percentage of municipalities meeting ministry's criteria of financial accountability as established in the *Municipal Government Act*	98%	97%	98%	98%	98%	98%
***Measure 1.c:** Percentage of municipal assessment rolls that meet provincial standards for procedures, uniformity and equity	94%	97%	99%	99%	98%	98%
Goal 2: *Fair and timely decisions on matters before the Municipal Government Board as set out in the Municipal Government Act and related regulations*						
Measure 2.a: Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the Board's performance of services in support of planning, annexation, linear and equalized assessment appeals	86%	87%	86%	88%	80%	84%
Goal 3: *Low-income Albertans have access to a range of safe and affordable housing options and supports*						
Measure 3.a: Number of affordable housing units approved for development	3,037	3,289	2,011	1,212	200	0
Goal 4: *Albertans' safety, health, accessibility and conservation priorities for the built environment are addressed through a collaborative community-focused safety codes system*						
Measure 4.a: Percentage of assessed accredited municipal entities, corporations, agencies and delegated administrative organizations administering the *Safety Codes Act* that achieve a satisfactory rating	97%	95%	97%	98%	98%	94%
Measure 4.b: Fire deaths per 100,000 population (10-year moving average)	1.09	0.98	0.95	0.87[◊]	(less than or equal to the 2011-12 actual)	0.84

[◊] Note: The total number of deaths reported for 2011-12 was revised from 28 to 26. The casualty reports were submitted late by the responding fire department. The Medical Examiner's Office confirmed that two deaths were not fire related. The revised total of 26 was used in calculating the 2011-12 fire death rate. The hard copies of fire death incident reports for 2011-12 will be made available for audit verification, if required.

* Indicates performance measures that have been reviewed by the Office of the Auditor General. The performance measure indicated with an asterisk was selected for review by ministry management based on the following criteria established by government:

- enduring measures that best represent the goal;
- measures for which new data is available; and
- measures that have well established methodology.

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Goals and Performance Measures	Prior Years' Results				Target	Actual
	2008-09	2009-10	2010-11	2011-12	2012-13	2012-13
Goal 5: *Albertans are protected from the effects of disaster and emergency events through a coordinated and all-hazards focused public safety system*						
Measure 5.a: Percentage of claims where a member of the damage assessment team arrives on-site within 30 days of a claim being received	100%	100%	99.8%	100%	100%	100%
Measure 5.b: Level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years	94%	91%	80.8%	85%	94%	81%

For more detailed information see 2012-13 Performance Measures Data Sources and Methodology (on pages 15-21).

2012-13 Performance Measures Data Sources and Methodology

Goal 1: Enhanced long-term viability and accountability of municipalities and their communities

1.a *Usage of public library services by Alberta households*

Data Source: Alberta Culture – Survey of Albertans on Culture 2013. The survey was performed by Advanis, a Quebec-based professional marketing research firm with a branch office in Edmonton. A copy of the survey and results is retained by the Public Libraries Services Branch, and is available in electronic form.

Methodology: A total of 1,000 interviews were conducted with Alberta residents over the age of 18; specifically, 232 from Edmonton, 311 from Calgary, 104 from small cities in the north of the province, 129 from small cities in the south, 150 from the rural north, and 129 from the rural south. Data was collected between January 30 and February 22, 2013. Results are weighted by age, gender and region to ensure demographic representation. Results of the survey for a sample size of 1,000 are deemed accurate within ±3.1 percentage points, 19 times out of 20.

1.b *Percentage of municipalities meeting ministry's criteria of financial accountability as established in the Municipal Government Act*

Data Source: The data used to calculate this measure comes primarily from the annual audited financial statements and the financial information returns that municipalities must submit to the Minister by May 1 for each year, pursuant to the *MGA*.

The Local Government Services Division staff prepare the data, complete the required calculations and supply the supplementary information used for this measure. The information is collected for administrative purposes, as well as for tabulating the measure.

The data used to calculate this measure is reported based upon a calendar year, which is the fiscal year for municipalities. The results reported in this measure are from the calendar year prior to the fiscal year in which they are reported (e.g., for 2012-13 annual reporting, Municipal Affairs reports municipal results from the 2011 calendar year). Financial data is stored in the Municipal Financial Information System.

Methodology: The required data sets are extracted from the Municipal Financial Information System using Microsoft Access and are compiled in an Excel spreadsheet. Point scores are calculated using Excel formulas where possible. Points for Section 282 of the *MGA* must be entered manually, as would supplementary information regarding debt limit extensions and deficit recovery extensions. Supplementary information related to Section 252 is entered manually into the Excel spreadsheet as required.

The measure is calculated based on a demerit point system weighting the criteria as set out in sections 252, 278 and 282 of the *MGA*. Municipalities meeting or exceeding 100 points are considered to be outside of the criteria for achieving financial accountability. The scoring system serves as a proxy measure. Scores of 100 points or more would be a solid indicator of an accountability problem and, if continued, would likely indicate a loss of financial sustainability.

Public sector accounting standards require municipal financial statements to use the net assets (debt) presentation model. Fund accounting is no longer used for reporting purposes, and financial reporting is now expense-based rather than expenditure-based. Tangible capital assets are now recorded and amortization is included as an expense.

Section 244 is no longer relevant given the accounting standards in place for the 2009 annual audited financial statements. Because of this, the data collected from municipalities for 2009 is not directly comparable to prior year's data. The underlying accounting processes have changed and consequently there is no way to produce or to estimate comparable data.

The *MGA* will be updated in the future to more accurately reflect the accounting standards. The Municipal Finance Clarification Regulation was enacted as a transitional measure, and Section 4 of the regulation provides a more appropriate measure of "deficiency" in the new environment. It can be found on the Queen's Printer website: www.qp.alberta.ca/1266.cfm?page=2012_206.cfm&leg_type=Regs&isbncln=9780779768431.

1.c Percentage of municipal assessment rolls that meet provincial standards for procedures, uniformity and equity

Data Source: By no later than February 28 of each year, all municipalities are required by the Alberta Assessment Quality Minister's Guidelines to submit assessment and sales data. Municipalities uploaded their data directly into the province's web-based application, Assessment Shared Services Environment (ASSET), through their Computer Assisted Mass Appraisal systems. Examples of the type of information submitted include the assessed value, the sale price for sold properties, legal descriptions and property characteristics.

The calculation of median assessment ratios and assessment levels are part of stage one of the annual audit. The annual audit program is an important tool in measuring mass appraisal performance. Through assessment to sales ratio studies, the Assessment Audit Unit compares municipal assessments to market value indicators and verifies whether municipal assessments meet regulated quality standards. Because of the assessment audit cycle, the data upon which the 2012-13 measure is based reflects values and inventory from the 2011 assessment year. The fiscal year for municipalities is the calendar year.

Methodology: Under the Matters Relating to Assessment and Taxation Regulation, the quality standard specifies that the acceptable range for median assessment ratios is between 0.95 and 1.05.

The ASSET system calculates ratios of assessment to market value (sale price or indicator of market value) for sold properties in each value range/property type in the two property classes (residential and nonresidential). The subgrouping or stratification of the two classes is based on assessment value and property type.

The median assessment to sales ratio is calculated for each value range/property type stratum. Each median is then weighted by its respective total assessed value for that strata and a weighted median is calculated for each of the two classes. The percentage of municipalities whose assessment levels fall within the acceptable range for each class is determined. The performance measure is the average of these two percentages.

Goal 2: Fair and timely decisions on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations

2.a Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the Board's performance of services in support of planning, annexation, linear and equalized assessment appeals

Data Source: A client satisfaction survey was conducted by Resinnova and the hearing participant information provided from the Case Inc. database of the Municipal Government Board (MGB).

Methodology: MGB Matters – MGB staff designed database queries for the purpose of identifying all participants who attended MGB hearings. The staff runs queries listing all appellants, respondents and interveners that were attached to the hearings. Staff generate manual lists for attendees at annexation and subdivision hearings. Staff then obtain email addresses or phone numbers for all parties and forwarded the list to Resinnova.

The methodology followed in conducting the survey and preparing the survey results is described in the consultant's final report.

The satisfaction scale used in the report is a fivepoint, anchored satisfaction scale (strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, strongly disagree).

The MGB requires the consultant to contact and survey all hearing attendees and get the highest possible response rate. To achieve this high standard, online and telephone surveys are conducted by an independent consultant. For the 2012-13 fiscal year, the response rate was 164 of 282 eligible clients or 58 per cent.

Composite Assessment Review Boards (CARB) Matters – MGB staff scheduled all board members for CARB hearings, and tracked their activity using the MGB database. A review of the database produced a list of all municipalities in which MGB members attended as presiding officers. In addition, all municipalities that submitted complaint applications to the MGB were placed on a listing for future contact. Similar to the process for MGB matters, all contact information was forwarded to Resinnova to contact and survey the municipal clerks representing the municipalities on CARB matters. For the 2012-13 fiscal year, the response rate was 39 of 64 CARB clients, or 61 per cent.

Goal 3: Low-income Albertans have access to a range of safe and affordable housing options and supports

3.a Number of affordable housing units approved for development

Data Source: Data for this measure is maintained by the Housing Division and reported when affordable housing units and related capital funding is approved for development by the Minister of Municipal Affairs. Grant recipients submit requests for changes to housing plans, have those plans reviewed, and if approved, the data is updated to reflect these changes.

Methodology: The Alberta Affordable Housing Task Force made recommendations to increase the supply of affordable housing options in the province. As a result of those recommendations, the development of, and access to, affordable housing became a top priority for the Government of Alberta.

Alberta achieved and exceeded that five-year goal stemming from the Task Force of supporting the development of 11,000 new affordable housing units by 2012. These units are dedicated for low- to moderate-income individuals, families, seniors, Albertans with special needs and people who are homeless. In that five year period, over 12,000 affordable housing units have been supported through a capital grants approach that leveraged private dollars with taxpayers' money through partnerships with municipalities, housing management bodies, non-profit groups and the private sector.

To date, approximately 5,900 affordable housing units have been built and 2,800 units are expected to be completed by March 31, 2014. Another 3,400 units are in various stages of development and are scheduled to be completed by March 31, 2015.

A condition analysis or Property Condition Index completed by Alberta Infrastructure continues to be conducted on both Alberta Social Housing Corporation and HMB properties. To date, over one billion dollars in capital improvements and property replacements has been identified as required over a five year period to extend the useful life of buildings within the seniors lodge, seniors self-contained and community housing portfolios. The Government of Alberta is poised to strengthen the provincially-owned housing sector through responsible investments, efficient community-based program delivery and effective partnerships designed to meet both current and future needs for safe, suitable, and sustainable housing. As a result, a total of zero additional affordable housing units were approved for development in 2012-13 fiscal year with department funding.

The 2011-12 revised calculation of 1,212 units is based on total affordable housing units approved for development with capital funding support from the Housing Capital Initiatives Request for Proposals (RFP) funding.

The 2010-11 revised results of 2,011 units are calculated in the same manner as above.

The 2009-10 revised results of 3,289 units are based upon approved or updated housing plans submitted by municipalities under the Affordable Housing Municipal Block Funding Program, approved funding under the Affordable Housing program RFP and approved funding under the Wood Buffalo Housing Initiative. The results do not include rent supplement units supported with municipal block funding program.

The 2008-09 revised results of 3,037 units are based upon approved or updated housing plans submitted by municipalities under the Affordable Housing Municipal Block Funding Program, approved funding under the Affordable Housing Program RFP and approved funding under the Wood Buffalo Housing Initiative. The results do not include rent supplement units supported with municipal block funding program.

This presentation is based on the most recent information available. The results are updated when new information becomes available. This updated presentation is based on approved and updated housing plans as at March 31, 2013.

Goal 4: Albertans' safety, health, accessibility and conservation priorities for the built environment are addressed through a collaborative community-focused safety codes system

4.a The percentage of assessed accredited municipal entities, corporations, agencies, and delegated administrative organizations administering the Safety Codes Act that achieve a satisfactory rating

Data Source: The accredited organizations scheduled to be monitored for the year are assessed in their administration of the safety system throughout the year using a series of checklists. There has been no change in data collection methods used for accredited municipalities, corporations, authorized accredited agencies and Delegated Administrative Organizations (DAOs). The municipal and corporate checklist questions have been updated to reflect the current Quality Management Plans.

Methodology: A benchmark of 70 per cent has been adopted as a satisfactory rating. This has not changed from previous years. The percentage of overall scores is computed for accredited municipal entities, corporations, agencies and delegated administrative organizations. This percentage is then weighted by the number of organizations assessed to produce the key performance statistic.

Previously, the assessments included in the measure were conducted over the period of the fiscal year. In 2010, reporting was moved to a calendar year reporting period. Assessments were conducted between January 1 and December 31, 2012.

Accredited municipalities and corporations

Accredited municipalities and corporations are assessed at least once every three years on a rotating schedule, which is revised annually as entities' accreditation status changes. The files selected are from files closed in a recent 12 month period preceding a monitoring field visit. During the year, data is gathered by designated department staff for accredited municipalities and corporations and a score is computed for each completed checklist. The checklist scores for the Quality Management Plans for each discipline administered by an organization are then averaged to produce an overall score for that organization.

Each year, the schedule for monitoring accredited municipalities and corporations is determined as follows:

1) start with the prescribed one-third list;
2) add all those accredited entities from the previous year that scored less than satisfactory;
3) add municipal entities and corporations newly accredited in the previous year to the year's prescribed one-third list;
4) remove accredited entities that dissolved or discontinued their accreditations from the list;
5) where justified, remove organizations that request their monitoring to be postponed until the next year from the list; and
6) remove accredited corporations that have not engaged in activities that fall under the *Safety Codes Act* (these are carried forward until the corporation resumes activity).

Delegated Administrative Organizations and Authorized Accredited Agencies

All three DAOs are formally monitored annually in the same manner as previous years. DAO liaisons provide continuous assessment, monitoring and mentoring throughout the year.

All authorized accredited agencies under contract with the department are monitored monthly, closed files are reviewed quarterly, and administrative components and performance are reported annually. Contract management staff is in continual contact with the agencies and assist them in resolving emerging issues.

4.b *Fire deaths per 100,000 population (10-year moving average)*

Data Source: Section 9 of the Administrative Items Regulation AR 16/2004 under the *Safety Codes Act*, requires that a safety codes officer for the fire discipline who investigates the causes and circumstances of a fire must immediately notify the Fire Commissioner if the fire has resulted in loss of life. Additional sources of information on fire deaths are: insurance companies and adjusters, Medical Examiner's Office, and police departments. The total number of fire deaths is revised as information is received from these sources. Alberta Official Population data is obtained from the Alberta Municipal Affairs website: www.municipalaffairs.alberta.ca/mc_official_populations.cfm.

Methodology: In 2012-13, continual improvements were made to the web-based application called the Fire Electronic Reporting System (FERS) to enable fire departments and insurance professionals to input fire incident data online. The Fire Statistics Reporting Manual and fire incident reports (pdf format) are also posted on the Office of the Fire Commissioner website to enable reporting agencies easy online access to fire reporting.

The data is collected in either hard copy or electronically through FERS. Data from the hard copies is entered into the system and validated. Then the fire death figures are extracted using a SAS software program and manually entered into an Excel spreadsheet. Alberta population figures are then entered into the Excel spreadsheet to calculate the fire death rates, which are plotted in a bar-chart as 10-year moving averages. The data and the measure relate to a calendar year, which is consistent with reports produced by Statistics Canada and other jurisdictions, enabling comparisons.

The formula for the fire death rate for each year is as follows:

$$\left(\frac{\text{Revised number of fire deaths per year}}{\text{Population}}\right) \times 100{,}000$$

The fire death rate for the current year and each of the preceding nine years are averaged to produce the 10-year moving average statistic.

Goal 5: Albertans are protected from the effects of disaster and emergency events through a coordinated and all-hazards focused public safety system

5.a *Percentage of claims where a member of the damage assessment team arrives on-site within 30 days of a claim being received*

Data Source: Separate files are maintained for each application within each program. Information contained in these files is entered into a Microsoft Access disaster recovery database. The disaster recovery database, which has been in use since July 1995, tracks all applications received, as well as activities related to the processing of each application made under a Disaster Recovery Program.

Methodology: The database is used to identify the number of disaster recovery applications and the number of those applications where the evaluator arrived on site within 30 days of receipt of the application. Receipt of application is the day the application is stamped as received at the program office. Where there is an issue of eligibility, requiring additional investigation and supporting documentation, the date upon which the applicant is contacted and the request is made for additional documentation, is the date used to measure the length of time it takes for an evaluation to be made.

The measurement period is the fiscal program year from April 1, 2012 to March 31, 2013.

Eligible applications are those that fall within the parameters of the program approval document authorized by the Minister. For example, an application for a property that is outside the approved program boundaries would be deemed ineligible. The applications are collected in a separate database established for each Disaster Recovery Program. The database records all dates pertinent to the administration of the program and can be queried at any time.
A query is done on the database to identify all applications received within the measurement period and their corresponding evaluation date. The performance measure is calculated as a simple percentage: the number of applications that satisfy the 30-day criterion divided by the total number of applications.

5.b Level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years

Data Source: The source for the data on this measure is submitted information in a database maintained by seven field officers in field operations at the Alberta Emergency Management Agency. A database report is used to extract the actual number of municipalities that have exercised their plans within the past four years either through a co-ordinated exercise or an actual event.

Population data for calculating percentages of population exercised is extracted from the annual Municipal Affairs Population List available on the Municipal Affairs website: www.municipalaffairs.alberta.ca/mc_official_populations.cfm.

Methodology: A schedule is established for all municipalities to be exercised at least once every four fiscal years. All real events where the municipal emergency plan was activated are included, when and as they happen, replacing the scheduled exercise in the calculation.
All seven field officers compile and submit quarterly reports to the Director of Field and Recovery Operations and update the Field Operations Activity Database at the same time. The Director of Field and Recovery Operations pulls a four-year cumulative report for the current exercise window. This information is used to verify the required exercises or events for the municipality. If an exercise is a repeat, it is not included in the measure. Once the current four-year cumulative report by region is updated, a simple sum of the seven regions is calculated, which is divided by the total number of municipalities to produce a cumulative percentage.

This is a Microsoft Access database managed internally to allow for continuous improvement for tracking and security of information. Reports are generated from this database to identify the municipalities that exercised their plans during the fiscal four-year period.

Discussion and Analysis of Results

Goal 1: Enhanced long-term viability and accountability of municipalities and their communities

Municipal Sustainability Initiative

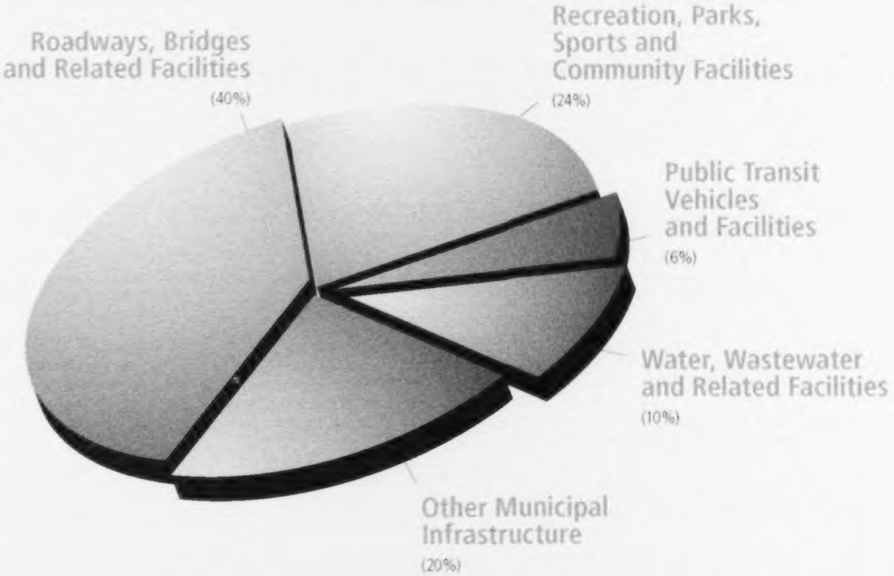
The Municipal Sustainability Initiative (MSI) is the Government of Alberta's commitment to provide significant long-term funding to enhance municipal sustainability and to enable municipalities to meet the demands of growth. Under this initiative, municipalities received $896 million in provincial funding in 2012-13.

Capital Funding – In 2012-13, the ministry provided $848.8 million in MSI capital funding. A total of 701 capital projects were accepted by the minister. The funding will be used for municipal roadways, bridges and related facilities (40 per cent); recreation, parks, sports and community facilities (24 per cent); public transit vehicles and facilities (6 per cent); water, wastewater and related facilities (10 per cent); and other municipal infrastructure (20 per cent).

In 2012-13, project applications that were accepted for MSI funding included: the City of Calgary's extension of Peigan Trail; the City of Edmonton's construction of a fire station in the Lewis Estates neighbourhood and purchase of fire trucks; the City of Red Deer's upgrade of roads, sidewalks, and underground infrastructure at the intersection of Taylor Drive and Ross Street; the County of Vermilion River's upgrade of the water treatment plant in the Hamlet of Blackfoot; and the Town of Cardston's construction of a new pool and upgrade to the existing pool's change-room facility.

In 2012-13, the ministry provided $848.8 million in MSI capital funding.

Previously accepted MSI projects that were underway in 2012-13 included the City of Medicine Hat's project to construct a police services building; the Municipal District of Acadia's project to replace the existing sports arena; and the Village of Alberta Beach's construction of a public works building.



Operating Funding – The ministry provided $47.2 million in MSI conditional operating funding to assist municipalities in providing needed services in their communities. As a result of the MSI program review in 2011-12, municipalities now submit an annual plan for program spending rather than multiple project applications. Municipalities use these funds to promote their viability and long-term sustainability (20 per cent); maintain safe, healthy, and vibrant communities (49 per cent); develop and maintain core municipal infrastructure (30 per cent); and build capacity (one per cent).

Many municipalities use their MSI operating funding for projects that help them plan for the future. For example, the Town of Drayton Valley is supporting the cost of a comprehensive traffic study, and the Village of Amisk is supporting the cost of a groundwater evaluation study.

Implementing the Municipal Sustainability Strategy

In 2012, the Alberta government approved a joint municipal-provincial strategy to strengthen the long-term viability of municipalities in Alberta. A committee of stakeholders has been formed to provide advice to Municipal Affairs in implementing the strategy, and supporting amendments to the *Municipal Government Act* were introduced in the spring 2013 sitting of the Legislative Assembly.

The new Municipal Sustainability Strategy will help municipalities identify their strengths and weaknesses, assess their viability, and engage with their citizens and neighbouring municipalities to resolve challenges.

The new Municipal Sustainability Strategy will help municipalities identify their strengths and weaknesses, assess their viability, and engage with their citizens and neighbouring municipalities to resolve challenges. The strategy was developed by a working group of representatives from Municipal Affairs, the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties, the Local Government Administration Association, the Alberta Rural Municipal Administrators' Association, and the Association of Summer Villages of Alberta. It is set out in the report, *Building on Strength: A Proposal for Municipal Sustainability for Alberta*. The centrepiece of the strategy is an innovative new approach to addressing municipal viability issues, including a focus on capacity building tools, self assessment, and a proactive and inclusive viability review process.

Provincial-Territorial Meeting of Ministers Responsible for Local Government

In July 2012, the Minister of Municipal Affairs hosted the annual meeting of provincial and territorial ministers responsible for local government. The ministers met in Kananaskis, Alberta, to share information and ideas on key issues that affect municipalities across Canada, and learn from each other's experiences and successes. Discussions occurred on topics such as municipal funding, service viability, accountability, and the importance of municipal infrastructure and its contribution to strong communities, economic prosperity and job creation.

The provincial and territorial leaders met with the Honourable Steven Fletcher, federal Minister of State for Transport, to discuss the federal government's plan for a long-term infrastructure funding program. The ministers also heard from Mayor Karina Pillay-Kinnee of Slave Lake, on the disaster response to the devastating wildfires of 2011, and from Mayor Melissa Blake of the Regional Municipality of Wood Buffalo on managing rapid growth.

Civic Charters

In June 2012, the mayors of the City of Edmonton and City of Calgary, and the Minister of Municipal Affairs signed a memorandum of understanding to formalize their commitment to explore options for an updated legislative framework for Alberta's largest cities. The ministry has been working with the two cities toward the development of civic charters that will assist the cities in meeting increasing demands for urban services and infrastructure.

Rebuilding and Recovery in the Lesser Slave Lake Region

The Lesser Slave Lake Region has made great strides in rebuilding and recovery in the aftermath of the devastating wildfires of May 2011. Locally, recovery efforts are led by a regional Tri-Council composed of the elected officials of the Town of Slave Lake, the Municipal District of Lesser Slave River No. 124 and the Sawridge First Nation.

Provincially, the Alberta government's assistance for recovery in the region is co-ordinated by a Slave Lake Recovery Task Force of assistant deputy ministers from 12 provincial departments. The activities of the task force and a cross-ministry working committee are supported by the ministry's Local Government Services Division.

The province has committed $289 million over three years to help with the region's recovery. In 2012-13, provincial support included:

- assistance provided by a Regional Recovery Co-ordination Group in planning and implementing projects and activities identified in the Lesser Slave Lake Regional Wildfire Recovery Plan;
- approximately $8.9 million in grants to the region for recovery projects such as a new firehall at Mitsue, a noise attenuation barrier along Highway 88, an intersection upgrade at Highway 2 and Highway 88, and developing the region into a model FireSmart community; and
- about $115,000 toward events commemorating the one-year anniversary of the wildfires, including a community resiliency conference.

In November 2012, new legislation came into effect to ensure any abandoned oil or gas well on a property is identified, and setbacks are applied, prior to new development.

New Requirements for Development near Abandoned Oil and Gas Wells

In November 2012, new legislation came into effect to ensure any abandoned oil or gas well on a property is identified, and setbacks are applied, prior to new development. The legislation requires the proponent (developer or landowner) of a proposed subdivision or development to check with the Energy Resources Conservation Board (ERCB) for the presence of abandoned oil or gas wells on the site and, if an abandoned well exists, to apply the necessary setback. The municipality is required to ensure, as part of the process for subdivision and development applications, that proponents have taken these steps.

The new legislation is set out in amendments to the Subdivision and Development Regulation (Alberta Regulation 160/2012), and the required setback is specified in the new ERCB Directive 079: Surface Development in Proximity to Abandoned Wells. In developing the amendments, Municipal Affairs held stakeholder discussions with the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties, the Urban Development Institute, and the cities of Edmonton and Calgary, and provided an opportunity for public input through the ministry's website.

Guidelines had been in place since 1996 to encourage municipalities and developers to check for and accommodate abandoned wells prior to new development. The amendments now make the practice mandatory. Further details are provided in bulletins that were sent to municipalities and posted on the ministry website: Information Bulletin 05/12, *Advisory Land-Use Planning Notes on New Regulatory Requirements for Surface Development in Proximity to Abandoned Wells*, and Interpretation Bulletin 02/13, *Identifying, Locating and Testing Abandoned Wells during Subdivision*, www.municipalaffairs.alberta.ca/documents/msb/Information_Bulletin_05_12.pdf.

Legislative Amendments to Clarify and Strengthen the Election Process

As of October 2013, when local elections are held across the province, the term of office to be served by municipal councillors and school board trustees will increase from three to four years. This change was one of several amendments made to the *Local Authorities Election Act* following a ministry review of the Act and public consultation in the summer of 2012.

The *Local Authorities Election Act* sets out processes and procedures for municipal and school board elections. The changes to the Act were based primarily on proposals made by municipalities and municipal associations that were subsequently supported during the consultation by a broad cross-section of municipalities and the general public. The changes were included in Bill 7, the *Election Accountability Amendment Act, 2012,* and the most significant amendments specify that:

- a candidate's nomination form will be refused by the returning officer if it is not signed by the required number of eligible electors;
- voters will be required to provide identification (where a list of electors has not been prepared) in order to cast votes in municipal and school board elections; and
- a municipal candidate will be required to clear any campaign deficit, and donate any surplus municipal campaign funds to a charity or the municipality, if he or she does not run in the subsequent general municipal election.

Support for the Capital Region Board and Calgary Regional Partnership

Municipal Affairs continued to contribute substantial funding for the work of the Capital Region Board and the Calgary Regional Partnership. The ministry provided $3 million to each organization through the Regional Collaboration Program to support their core operating costs for 2012-13. In addition, the Capital Region Board was provided with $500,000 in support of a comprehensive review and update of the Capital Region Growth Plan. The ministry regards these regional bodies as valuable forums for the identification and resolution of growth-related challenges that cross multiple municipal boundaries.

The Capital Region Board was formed in April 2008 and its 24-member municipalities worked collaboratively to develop a long-term plan, which was approved by the province in 2010, for future growth in the Capital Region. Ministry staff participate in the board's planning advisory group in support of effective decision-making on regional planning and development.

The Calgary Regional Partnership completed a revised version of its Calgary Metropolitan Plan in 2012, and a cross-ministry review was initiated to ensure the plan aligns with provincial interests. As a result of the review, the Minister initiated a mediation process to resolve regional planning differences within the Calgary region.

> *The ministry worked with the Land Use Secretariat and a cross-ministry planning team in finalizing the Lower Athabasca Regional Plan, the first regional plan to be adopted under the province's Land-use Framework.*

Support for Implementation of the Land-use Framework

The ministry worked with the Land Use Secretariat and a cross-ministry planning team in finalizing the Lower Athabasca Regional Plan, the first regional plan to be adopted under the province's Land-use Framework. The Lower Athabasca plan was developed in consultation with Albertans, approved by the Alberta government in August, and took effect on September 1, 2012.

The Land-use Framework provides a blueprint for land-use management and decision-making that addresses Alberta's growth pressures, and calls for the development of a regional plan for each of seven new land-use regions. The ministry also participated in consultative processes for the development of the South Saskatchewan Regional Plan, and in cross-ministry initiatives on the efficient use of land and fragmentation and conversion of agricultural land.

Financial Assistance for Regional Collaboration

In 2012-13, the Regional Collaboration Program provided $14.8 million to improve the viability and long-term sustainability of municipalities through strategic activities related to regional collaboration and capacity building. Funding is allocated through four program components:

Regional Collaboration – The ministry helped to fund several collaborative initiatives of two or more municipalities, including the development of regional land-use plans, the exploration of a framework for regional governance, the development of a benchmarking framework for municipal service delivery, and a pilot project to explore internet voting.

Mediation and Co-operative Processes – The ministry provided support for processes to build and improve relations within and between municipalities and to resolve intermunicipal and regional issues. Funding was approved to help resolve two intermunicipal disputes and to assist with five collaborative governance initiatives.

Municipal Internship – The ministry provided support to municipalities and planning service agencies to recruit, train, and retain skilled municipal employees. A number of municipalities worked out partnering arrangements to jointly host an intern. In 2012-13, 24 municipalities and two planning service agencies benefited from grant funding to help cover the costs of hosting 12 administrator interns and eight land-use planner interns. Grant funding was also provided to 11 municipalities to help with the costs of hosting an administrator intern for an optional second year.

Strategic Initiatives – Municipal Affairs also provided funding for other initiatives that addressed municipal or intermunicipal needs or circumstances of strategic significance. For example, funding was provided for workshops for municipal finance officers on budget processes, for assistance to municipalities to address the impacts of erosion and sinkholes, for core operating costs of the Capital Region Board and the Calgary Regional Partnership, and to assist the Capital Region Board in reviewing and updating the Capital Region Growth Plan.

Grants in Place of Taxes

Municipal Affairs provided $53 million to municipalities through its Grants in Place of Taxes Program. These grants are provided to municipalities for the property taxes that would otherwise be recoverable on Crown property if it were not exempt from taxation. Examples of eligible properties include provincial buildings, court houses, correctional institutions and remand centres. Grants are also provided to cover the municipal portion of property taxes on specified non-profit, unsubsidized, self-contained seniors' accommodation.

Municipal Affairs provided $53 million to municipalities through its Grants in Place of Taxes Program.

Recognizing Municipal Excellence

In its eleventh year, the Minister's Awards for Municipal Excellence were presented in five categories:

Outstanding Achievement – The City of Edmonton for its long-term environmental strategic plan, *The Way We Green*, a key guiding document for decision-making in all areas of environmental policy and implementation.

Innovation – The City of Grande Prairie for its annual Municipal Government Day, which has grown and evolved since it began in 2002 and highlights the role of municipal government in the daily lives of residents.

Partnership – The Town of Killam, representing the 83 municipalities that are partnering in the *Eastern Alberta Trade Corridor – Foreign Direct Investment Strategy* to enhance the economic sustainability of eastern Alberta communities.

Safe Communities – The Town of Chestermere for the Chestermere Crime Reduction Partnership of law enforcement and social services, which is addressing the emerging issues of at-risk youth and gang-related crime through early intervention.

Smaller Communities – The Village of Marwayne for the *Sustainability through Grass Roots Partnerships* program, which brings together the municipality and community groups to identify community needs and effective solutions.

Brownfield Redevelopment Working Group

A stakeholder working group has made recommendations for a strategy to facilitate the redevelopment of brownfield sites in Alberta municipalities. A brownfield is a vacant or underused property that may be contaminated from former use, but has potential for redevelopment or reuse. Many of these sites were previously gas stations. The working group was established by the ministries of Municipal Affairs and Environment and Sustainable Resource Development. Its report, called *Alberta Brownfield Redevelopment – Practical Approaches to Achieve Productive Community Use*, is under review.

Contributions to Other Cross-ministry Initiatives

Another stakeholder working group, also led jointly by the ministries of Municipal Affairs and Environment and Sustainable Resource Development, is reviewing matters related to requests for variances to setback distances from landfill or waste sites. Under the Subdivision and Development Regulation, a subdivision or development authority may vary the setback distance identified in the regulation with the written consent of Environment and Sustainable Resource Development, which has made information available on its website on requirements for consent. It is anticipated that the working group will provide input to the ministries in 2013.

The ministry continued to support cross-ministry initiatives for land disposition in the Regional Municipality of Wood Buffalo, such as those related to the Urban Development Service Region and improved processes for release of Crown land to municipalities. Ministry staff also participated in working groups for Comprehensive Regional Infrastructure Sustainability Plans for the Cold Lake and Peace River oil sands regions.

Municipal Affairs is participating in a cross-ministry initiative led by Alberta Energy to hold discussions with select municipal stakeholders to gather information on the topic of energy development in urban areas.

Development Symposium

Following a Court of Appeal case involving a municipality's off-site levy bylaw, the Minister of Municipal Affairs agreed to bring together key municipal and developer stakeholders to discuss approaches to funding new development in Alberta. A Development Symposium was held September 17, 2012, where stakeholders identified issues and discussed challenges. The ministry continues to sponsor follow-up discussions.

Municipal Restructuring

In 2012-13, the ministry completed a dissolution study for one municipality, a process in which a municipality explores the possibility of becoming part of a bordering municipality. As a result of a public vote, the Village of New Norway dissolved on November 1, 2012, to become a hamlet in Camrose County.

The ministry also undertook a survey to gain feedback and input from residents, elected officials and administrative officials who were directly involved in municipal dissolution studies that took place between 2006 and 2011. The results of the survey will help guide future processes, such as the new viability review process that is part of the Municipal Sustainability Strategy.

Ministry staff work with, and provide advice to, municipalities, residents and stakeholders in the areas of finance, governance, administration, land-use planning, property tax and assessment, municipal restructuring and dispute resolution.

Advice and Assistance to Municipalities

Ministry staff work with, and provide advice to, municipalities, residents and stakeholders in the areas of finance, governance, administration, land-use planning, property tax and assessment, municipal restructuring and dispute resolution. Staff carry out this advisory role through a variety of means, including phone contact, correspondence, training sessions, handbooks, publications, the internet, participation in meetings and conferences, and other activities.

Examples included:

- Providing training for municipal officials on roles and responsibilities of councillors and administrators; on minutes, policies, and bylaws (for administrators); and on tax recovery (for tax clerks). In 2012-13, a total of 10 of these training sessions were held.
- Completing inspections on matters related to municipal management, administration, or operation for five municipalities.
- In response to requests from municipalities, providing eight training sessions (attended by more than 110 individuals) on subdivision and development appeal boards and municipal planning commissions.
- Responding to 429 direct inquiries from municipalities and individual Albertans on land-use planning issues.
- Working with assessors, municipal officials, residents and other stakeholders in a general advisory capacity on property assessment and tax matters, and consulting with stakeholders as needed.
- Providing training for assessment students at Lakeland College to develop knowledge and expertise in assessment practices and legislation.
- Providing two training sessions for municipal officials on updated procedures for conducting a census.
- Delivering 15 education workshops on alternative dispute resolution to municipal officials and community leaders.
- Facilitating the establishment of two regional commissions to provide water services to member municipalities in the Elk Point-St. Paul and Magrath regions.
- Facilitating amendments to the regulations establishing the Two Hills Regional Waste Management Commission and the Ridge Water Services Commission to reflect changes in the membership of the commissions.
- Publishing the 2012 Municipal Affairs Population List in accordance with the Determination of Population Regulation and population affidavits filed by municipalities.
- Developing a Land-use Order for the newly created Improvement District No. 349. The City of Cold Lake Planning Services was the successful bidder to deliver planning and permitting services in the improvement district.

Accountability Framework

Grant funding reports were prepared for all municipalities, Metis settlements, regional services commissions, and constituencies in Alberta. These reports provide easy and transparent access to grant funding information and are available through the Municipal Grants Web Portal. The web portal is a public website that serves as a common front-counter for information on all provincial and joint provincial-federal grant programs to municipalities.

Legislative Reviews

As the ministry responsible for the *Municipal Government Act* and its associated regulations, Municipal Affairs reviews and updates the legislation as required. In 2012-13, highlights included the adoption of a new Lloydminster Charter and the ministry moving forward with the review of the *Municipal Government Act*.

Lloydminster Charter – Alberta, Saskatchewan and the City of Lloydminster have signed a new Lloydminster Charter to update the legal framework for the governance and administration of the border city. The new charter updates the city's authority, allows for more flexibility and innovation, and aligns with current provincial legislation for other Alberta and Saskatchewan cities. The adoption of the new charter represents years of collaborative work by the city and the two provinces. It was approved in November 2012 by orders in council in both provinces and came into effect on January 1, 2013. The last major update of the charter was in 1979.

Municipal Government Act – In 2012, the Minister approved a comprehensive process for a principles-based review of the *Municipal Government Act*, one of Alberta's largest pieces of legislation, and its attendant regulations. The review process is set out in phases that include internal preparation, stakeholder engagement, legislative amendments, and assistance to municipalities in adjusting to legislative changes.

The review addresses matters related to governance and administration, assessment and taxation, and planning and development. Internal preparations are underway, and an advisory committee of key stakeholder representatives has been established to oversee the process.

In 2012, the Minister approved a comprehensive process for a principles-based review of the Municipal Government Act, one of Alberta's largest pieces of legislation, and its attendant regulations.

Well Drilling Equipment Tax

In February 2013, the ministry held a joint municipal-industry meeting on the future of the well drilling equipment tax. Under Section 388 of the *Municipal Government Act*, a municipality is able to charge a one-time tax on an oil or gas well site in the year in which the well is drilled. The intent of the tax is to help offset costs incurred by municipalities in maintaining roads used by well-drilling equipment; however, stakeholder perspectives about the tax differ among municipal and industry representatives. The stakeholder group has established a sub-committee to examine options for short-term amendments to the Well Drilling Equipment Tax Rate Regulation, and has also agreed that a longer-term discussion on broader issues related to road usage may be required.

Education Property Tax Requisition

The ministry manages the annual process of requisitioning each municipality for its share of the education property tax levy. In 2012, the ministries of Treasury Board and Finance and Municipal Affairs reviewed the methodology for determining the amount of the education property tax and the mitigation formula used to calculate each municipality's share of the education requisition.

This review led to two significant improvements to the provincial education property tax system. Beginning in 2013, Alberta is linking education property tax revenues to 32 per cent of the target operating costs for funding Kindergarten to Grade 12 education. This change increases predictability for municipalities and will allow them to more effectively plan for local budgets. Alberta has also discontinued the mitigation formula, which reallocated the education tax requisition among municipalities. This change means greater equity in the distribution of the education tax as similar types of properties, with comparable values, are now paying similar amounts of education taxes.

The 2013 requisition was prepared and sent to municipalities on March 7, 2013 budget day. For fiscal 2013-14, $2.06 billion will be collected from the education property tax, an increase of about four per cent over 2012-13. The process includes the annual calculation of the equalized assessments that are used in determining the requisitions for each municipality and in allocating costs of other intermunicipal programs.

Standards for Assessment Quality

As part of the process for the review of the assessment information reported to the department by each municipality, the ministry:

- Conducted annual assessment audits on all municipalities in Alberta. This process included ratio studies and other statistical analysis for each municipality to ensure compliance with legislated provincial quality standards and, where required, recommendations for remedial actions.
- Conducted detailed assessment audits of 18 municipalities and 24 forestry plants. These specific audits combined results-oriented ratio studies with a review of procedures for conformity with applicable legal requirements and generally accepted assessment practices. Recommendations were made in areas of legislative compliance and assessment industry best practice, and followup reviews take place to ensure recommendations are addressed.
- Conducted in-depth reviews of the valuation of 401 Crown properties. Crown-owned properties are reviewed annually for the purposes of the payment of grants in place of taxes.

- Conducted audits on 738 properties where ministry reviews were requested on the provision of access to property assessment information. Four of the reviews were requested by individual property owners, the remainder by property tax consultants. A taxpayer is entitled to receive or see sufficient information to understand how their assessment was prepared, and can request a ministry review if they believe this access was not provided.
- Managed the Assessment Shared Services Environment (ASSET) system, a program used to maintain and analyze the annually reported property assessment information of municipalities to determine if legislated quality standards have been met. ASSET also enables the province to use the reported assessment values in preparing the annual equalized assessments for each municipality. The equalized assessments are then used for purposes such as the calculation of education property tax requisitions.

Assessment Review Board Training

Municipal Affairs continued to provide training for assessment review boards. In 2012-13, a total of 450 participants attended two training sessions for prospective clerks, eight training sessions for prospective board members, eight refresher courses for clerks and 16 refresher courses for board members.

For the 2013 tax year, the total linear property assessment was $71 billion, an increase of 5.34 per cent from 2012.

Assessment of Linear Property

The ministry prepared the linear property assessments of 1,038 companies on behalf of 348 municipalities. This assessment generates about $925 million in municipal and education property tax and is based on property that includes oil and gas wells, pipelines, electric power systems, and telecommunication systems. For the 2013 tax year, the total linear property assessment was $71 billion, representing an increase of 5.34 per cent from 2012. This change was attributable to an overall increase in the number of assessable linear properties (such as new wells and electric power facilities), as well as inflationary increases to the assessed value of existing linear properties.

The ministry also responded to linear assessment complaints filed with the Municipal Government Board. For the 2012 tax year, 166 complaints were filed with the board; all of these complaints were for three power generation facilities. The complaints focused on whether replacement components in the three facilities were assessable.

Support to Public Library Service

The ministry provided $31.3 million in funding to support the Provincial Library Network. This included:

- Operating grant funding to 225 municipal library boards and seven library system boards operating 316 public library service points in the province.
- Funding to support the public library resource sharing network; public library use of the Alberta SuperNet and interlibrary loan delivery systems; funding to The Alberta Library, which represents many of Alberta's public, post-secondary and government libraries; and funding for the Alberta Public Library Electronic Network to provide access to digitally licensed databases through public libraries.
- $400,000 one-time funding to the 16 key library access points in the public library network to help offset operational costs as library resource sharing expands across the province.

MLA Committee on the Future of Public Library Service

The ministry continued to implement the recommendations from the MLA Committee Report, *Framework for the Future: Positioning Alberta Libraries for the 21st Century.*

The ministry continued to implement the recommendations from the MLA Committee Report, Framework for the Future: Positioning Alberta Libraries for the 21st Century.

Highlights in 2012-13 include:

- Finalization of the Government of Alberta's Collaborative Library Policy, which enables Albertans equitable access to publicly funded library resources.
- Supporting municipal library boards through the implementation of a public library "Standards and Best Practices" document and revitalized training on

the Alberta *Libraries Act* legislation for the 232 public library boards in the province.

- Enhancing support for electronic network resources for Albertans to access public libraries with funding for digital licence purchases (e.g., "Freading" – a provincial e-book license and "Press Display" – a provincial electronic newspaper license).
- Revising and updating the resource-sharing policy for public libraries, and developing a new network policy that will enable Alberta-wide borrowing and seamless access. These policies were approved by the Minister in December 2012.
- Establishing (with the Chinook Arch Regional Library System and the Kainai Board of Education) an on-reserve pilot program to provide First Nations residents with public library service.
- Working closely with the Alberta Public Library Electronic Network to develop an implementation plan for the provincewide public library technology plan which was released in a report during 2010-11.

Minister's Awards for Excellence and Innovation in Public Library Service

The Minister's Awards for Excellence and Innovation in Public Library Service program is open to all public library boards in Alberta. The awards identify, acknowledge and encourage best practices, and capture and communicate ideas that can be replicated by libraries across the province. The following library boards received this award in 2012:

Excellence in a Larger Library – The City of Edmonton Library Board, for their "Library Services to Aboriginal Peoples" program. The program is designed to develop relationships with the aboriginal communities in Edmonton and to involve the community in developing library services and programs.

Innovation in a Larger Library – The Strathcona County Library Board, for their "Low-Floor Bookmobile." The new bookmobile is designed to promote accessibility, versatility and flexibility for county residents of all ages and abilities. The low-floor bookmobile allows individuals to access the bus by foot, stroller or wheelchair.

Excellence in a Smaller Library – The Town of Rocky Mountain House Library Board received this award for their "Preserving Local History" program. As a result of its community needs assessment and planning process, Rocky Mountain House identified a value in preserving local history, particularly the role of David Thompson and the fur trade, through its collection. The board and staff carried the theme through the library renovation, displays, programs, and collections of art and artifacts.

Innovation in a Smaller Library – The City of Cold Lake Library Board received this award for their "Teen Tech Squad: Teens Teaching Teens." This program recognizes the need for youth activities in Cold Lake and develops technology, media, interpersonal and literacy skills for teenagers.

Results-based Budgeting

This year's annual report introduces results-based budgeting to the government's strategic planning and reporting publications. Bill 1, the *Results-Based Budgeting Act*, became law in February 2012. It is an initiative that will link government program and service outcomes to financial planning.

As the government moves through the results-based budgeting process, opportunities are being realized to shape programs and services and align resources in the most effective and efficient way. Municipal Affairs led the Municipalities and Regional Planning line of business for the results-based budgeting initiative.

This line of business includes programs and services that support community planning and municipal infrastructure and the provision of direct financial support to municipalities.

The review of the municipalities and regional planning line of business is nearing completion. The 28 programs and services under review focus on the government's collaboration with municipalities and communities through financial, advisory and administrative supports. The support ranges from enhancing the long-term viability and sustainability of municipalities and communities, including Metis Settlements and building and maintaining infrastructure, to the adherence to safety codes and standards for homes, buildings and structures.

The results-based budgeting process revealed a number of opportunities to improve outcomes for

Albertans, including further streamlining municipal grant programs. The review also indicated that implementation of long-term governance and funding arrangements with Metis Settlements will lead to better socio-economic outcomes for Metis Settlement members, improvements to the delivery of essential services, and increased long-term sustainability of Metis Settlements.

The following section explains the results of performance measure 1.a as there was a significant variance from targeted results.

Performance measure 1.a: *Usage of public library services by Alberta households*

The target of 70 per cent was not met, with an actual result of 59 per cent.

This measure provides a general indicator of the use of Alberta public libraries by Albertan households in the past 12 months. It is used to give a general sense of how effective GoA library policy and program supports are at retaining the existing library user base through services provided, and how enhancements in services from year to year may attract new users.

The percentage of Albertan households who have used public library services, when reviewed with other traditional usage indicators such as number of library cardholders, number of reference questions and turnstile counts, provides insight into public library access and usage in Alberta. Results of this measure are compared with those of previous years. These comparisons are used in combination with information from other sources to assess how well the current levels of library usage support delivery of programs and services that advance the quality of life in Alberta. Based on these analyses, decisions are made concerning the need to review, and if necessary, adjust library programs and services.

This performance measure was instituted in the 2010-11 fiscal year, replacing a measure that measured library usage by adult Albertans only. Comparative data was gathered beginning in 2008 in anticipation of utilizing this particular measure; this comparative data was gathered in a consistent manner using a scientific survey administered by a private-sector marketing research firm.

The data used in support of the current performance measure is based upon responses to a question posed to 1,000 adult Albertans in a scientific survey conducted by a professional private-sector market research firm. The question is: *Have you or someone in your household used a public library in Alberta in the past 12 months?* The question forms the basis of the new performance measure that was implemented in 2011.

Factors that impact the usage of public libraries include rapid recent population growth, economic instability, the availability of library resources in new formats, and rapid changes in and availability of mobile personal information technology devices, which allow for remote access to library services and resources. The latter factor gives preliminary indication that the use of a telephone-based survey tool may be an overly restricted format for conducting the annual library usage survey, since many library users rely on other technologies for their personal and business communications. A combination of the effects of these influencing factors may account for the slight decline (2.9 percentage points) in usage of public libraries by Albertan households over the last year.

In-person use of public libraries is only one indicator of public library use in Alberta. Statistics collected from public library boards indicate a steady increase of people using the "virtual branch" of the library online in addition to using the physical library. This online capability through the Internet and the SuperNet (the government-sponsored broadband network), along with interlibrary loan sharing, allows Albertans to have greater access to library materials from across the province through their local public library. The increase in virtual usage of public library resources may be the result of the availability of new, more sophisticated online library catalogues, and the availability and usage of new wireless technologies to access the data and library resources. The use of networked library services – services made possible by the availability of SuperNet in public libraries – continues to grow steadily.

Goal 2: Fair and timely decisions on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations

Municipal Government Board Marks Three Years of the New Legislative Regime for Property Assessment Appeals

Major changes were implemented to Alberta's assessment complaints and appeals system on January 1, 2010, through an amendment to the *Municipal Government Act*. The Municipal Government Board (MGB) has completed three full years under this new legislative regime, which requires that it support local composite assessment review boards in hearing and deciding property assessment complaints.

The MGB provides the provincial representative (presiding officer) on the Composite Assessment Review Boards (CARBs), joining two municipal representatives to hear complaints about the assessment of residential property with four or more dwelling units, non-residential property, and machinery and equipment. In 2012-13, the MGB provided presiding officers for 1,074 CARB hearing days involving 1,695 decisions.

The MGB continues to hear and decide on complaints about linear property assessment, equalized assessment appeals, subdivision appeals, and intermunicipal disputes, and to make recommendations on applications for annexations. A total of 41 hearings were conducted in 2012-13 on 166 linear complaints, 30 subdivision appeals, and nine preliminary/jurisdictional matters.

> *The Municipal Government Board continues to hear and decide on complaints about linear property assessment, equalized assessment appeals, subdivision appeals, and intermunicipal disputes, and to make recommendations on applications for annexations.*

The MGB has a total of 49 appointed board members to accommodate the hearing workload for meeting the requirements of the new assessment legislation – which required that all assessment decisions must be in writing and completed within 30 days. To meet the increased workload of the new legislation it recruited an additional 19 new board members in 2010 and eight members in 2011. The MGB continues to provide extensive training and support to its members who are part-time members appointed by order in council.

The following section explains the results of performance measure 2.a as there was a significant variance from targeted results.

Performance measure 2.a: *Percentage of parties to Municipal Government Board appeals who are satisfied or neutral regarding the Board's performance of services in support of planning, annexation, linear and equalized assessment appeals*

The target of 80 per cent was exceeded, with an actual result of 84 per cent.

The actual for the year of 84 per cent exceeds the target of 80 per cent. It is four percentage points lower than last year's actual but one per cent higher than the standard established in the benchmark year.

The achieved result of 84 per cent likely reflects the legislative change which dropped the requirement for surveying property assessment clients, with the exception of a few clients that still remained from the 2009 assessment year. The effect of the loss of assessment clients to survey is becoming evident as time passes. Also affecting the numbers is the changing numbers of complaints, appeals, and applications in the other jurisdictions.

Clients attending hearings and directly involved in the appeal processes (that strive for fairness, impartially and independence) are deemed to be the best parties to assess the MGB's performance. Receiving their level of satisfaction responses is seen to be the best indicator of the board's performance.

The measure has been refined to include client responses to survey questions to representatives of CARB municipalities. While the sole legislative role of the MGB is to provide presiding officers to CARB municipalities, the MGB also supports CARBs to achieve efficiencies and provide fair, independent, impartial hearings to its parties.

Goal 3: Low-income Albertans have access to a range of safe and affordable housing options and supports

The ministry achieved many key successes and created new opportunities through housing delivery partnerships with over 340 housing management bodies and municipalities, along with the private non-profit and for-profit sectors.

> *The Government of Alberta continues to work with housing management bodies and municipalities on proactively developing a comprehensive Long-term Real Estate Strategy.*

Long-term Real Estate Strategy and Housing Renewal Program

The Government of Alberta has a commitment to assist Albertans-in-need with accessing an affordable place to live. The province recognizes under the current funding model, including agreements with the federal government, the government-owned and supported housing portfolio has aging facilities with increasing annual operating costs. The portfolio requires additional funding support to ensure long-term sustainability. As such, the Government of Alberta continues to work with housing management bodies and municipalities on proactively developing a comprehensive Long-term Real Estate Strategy for government-owned and supported housing, designed to:

- Leverage provincial funding and assets, federal funding, municipal and housing management body assets, which also includes exploring innovative financing approaches such as public-private partnership and other funding models in order to provide housing solutions;
- Target funding to ensure safe, secure and affordable housing to those Albertans in the greatest need of accommodation, as per the *Alberta Housing Act*; and
- Renew or redevelop mature properties owned by the Alberta Social Housing Corporation, which includes a focus on seniors lodges as many of these properties were developed over 40 years ago.

Regeneration and Renewal Program

Having completed the fourth year of a six-year facility condition program with Alberta Infrastructure, approximately 80 per cent of the 26,500 government-owned social housing and seniors lodge units of the Alberta Social Housing Corporation have now been evaluated. Some of the units have reached maturity and require repairs and/or upgrading. The ministry has utilized available Alberta Social Housing Corporation retained earnings funding, as well as federal funding to support the implementation of a five-year regeneration and renewal strategy. This strategy involves renovation and/or repair of existing units, replacement of obsolete units through site redevelopment, and restoring social housing units lost by redevelopment and disposition through additions to existing sites.

Through collaboration with Alberta Infrastructure and housing management bodies, the ministry has, and continues to, identify projects with the greatest need for capital maintenance upgrades and regeneration.

Capacity Development

The ministry continues to work on capacity development initiatives with the housing sector, specifically with the 120 public housing management bodies that administer safe, secure, and affordable housing options to over 52,000 households annually across the province under the *Alberta Housing Act*. Capacity development continues to support options to strengthen housing management bodies, including how industry partnerships can support and create the critical capacity necessary to deliver:

- Asset management that supports property operations of over 36,600 housing units with a $6 billion insured replacement value. The Alberta Social Housing Corporation owns 26,500 of these units;
- Funding accountability for over $464 million in gross operating expenses; and
- Client services to over 100,000 Albertans, including low-to-moderate income seniors, families, individuals and those with special needs.

To improve community-based program delivery, the ministry along with its partners initiated the development of a comprehensive provincial housing information management and operating system, known as the Housing Access Link.

To improve community-based program delivery, the ministry along with its partners initiated the development of a comprehensive provincial housing information management and operating system, known as the Housing Access Link. This software program is designed to ensure consistent enterprise reporting in accordance with the *Alberta Housing Act*, as well as property, financial, and corporate operations and strategic planning across the housing portfolio. The Housing Access Link project included contract awards to Northgate Solutions and Sierra Systems as the software and development partners to the project. Northgate Solutions Housing Management Software supports the operations of over three million public housing units around the world, including public housing operations in Newfoundland and Labrador, Ontario, New Brunswick, and the Canadian Military.

Housing Assistance

The Alberta government, through the Alberta Social Housing Corporation, provided $159 million in net operating funding to support safe, secure and affordable housing to over 46,000 low-income households through social housing, including non-seniors, seniors and special needs households, rent supplement support, and emergency housing.

Social Housing Programs

The Government of Alberta continues to assist eligible low-income Albertans with their basic housing needs. This includes providing operating support to housing management bodies for government-owned and supported social housing units that provide rent geared-to-income housing under the *Alberta Housing Act*, including 10,400 community housing units for individuals and families, 1,400 special needs housing units and 14,400 seniors self-contained housing units.

Seniors Lodge Program

As of June 2012, the Seniors Lodge Program became the responsibility of Municipal Affairs. This transition ensures consistent operation under the *Alberta Housing Act* along with the combined operations of housing management bodies, which operate social housing and seniors lodges around the province. This program provides supportive living accommodation to over 9,700 low- and moderate-income seniors who are functionally independent with or without the assistance of existing community-based services. Seniors lodges are among the oldest properties in the housing portfolio and are essential to serving rural Alberta with over 7,000 units outside of Alberta's seven major metropolitan areas.

Rent Support Programs

Rental support programs provide funding to assist households-in-need with obtaining and maintaining affordable and suitable rental accommodation. In 2012-13, Municipal Affairs provided approximately $66 million to housing management bodies around the province to assist 11,800 households through the private landlord and direct-to-tenant rent supplement programs. These programs, as per the *Alberta Housing Act*, provide subsidies directly to high-need eligible applicants, as well as, to private landlords based on setting tenants' rents as a percentage of their income.

Affordable Housing

In 2007, the Government of Alberta created a housing task force, which recommended how to make rented and owned affordable housing more available and accessible. Subsequently, Alberta achieved and exceeded a five-year goal of providing support to the development of 11,000 new affordable housing units in 2012 by 1,000 units.

> *To date, approximately 5,900 affordable housing units have been built and another 2,800 units are expected to be completed by March 2014.*

These units are dedicated for low-to-moderate income individuals, families, seniors, Albertans with special needs and people who are homeless.

During the five years, over 12,000 affordable housing units were supported through capital grant funding to municipalities, housing management bodies, non-profit groups and the private sector. This approach leveraged provincial support with municipal, federal and private sector funding to create additional affordable housing units across the province.

To date, approximately 5,800 affordable housing units have been built and another 2,900 units are expected to be completed by March 2014. Another 3,400 units are in various stages of development and are scheduled to be completed by 2015.

With Alberta's Affordable Housing Task Force commitment fulfilled, Municipal Affairs will continue to work with delivery partners on the completion of a long-term strategy. Included are new performance measures and outcomes, which are based on ensuring those most in need of accommodation have access to housing options. This strategy includes exploring the possibility of adding new units, improving existing housing, making housing affordable and fostering independence.

The following section explains the results of performance measure 3.a as there was a significant variance from targeted results.

Performance measure 3.a: *Number of affordable housing units approved for development*

The target of 200 was not met.

Initially, funding was set aside in 2012-13 to support the development of 200 affordable housing units. With approximately 50 per cent of the units funded through past capital initiatives yet to come on stream, Municipal Affairs developed a long-term real estate strategy for the repair, regeneration and where appropriate, replacement of the existing housing portfolio. Through the Alberta Social Housing Corporation (ASHC), capital investments were redirected to provincially-owned and supported housing with an initial focus on the redevelopment of existing seniors lodge accommodation. Priority funding was given to ASHC owned and housing management body (HMB) operated housing, pursuant to the *Alberta Housing Act*, and serving those Albertans in greatest need.

A condition analysis or Property Condition Index completed by Alberta Infrastructure continues to be conducted on both ASHC and HMB properties. The reports have confirmed that investment is required to extend the useful life of buildings within the seniors lodge, seniors self-contained and community housing portfolios. The province is poised to strengthen the provincially-owned housing sector through responsible investments, efficient community-based program delivery and effective partnerships designed to meet both current and future needs for safe, suitable, and sustainable housing.

As a result, a total of zero additional affordable housing units were approved for development in 2012-13 fiscal year with department funding.

Goal 4: Albertans' safety, health, accessibility and conservation priorities for the built environment are addressed through a collaborative community-focused safety codes system

New Home Buyer Protection Act

The *New Home Buyer Protection Act* makes home warranty coverage mandatory in Alberta and imposes minimum coverages. The Act was introduced and passed unanimously in the 2012 fall session of the legislature and given Royal Assent on December 10, 2012. The Act will come into force in fall 2013.

The New Home Buyer Protection Act makes home warranty coverage mandatory in Alberta and imposes minimum coverages.

The development of the *New Home Buyer Protection Act* was the result of stakeholder working sessions to discuss a proposed mandatory new home warranty program. These sessions contributed to the development of a framework to address concerns with residential construction, including minimum standards for new home warranty coverage and an improved process for dealing with warranty claims. Mandatory regulated new home warranties will improve consumer protection and recourse options and builder accountability in the residential construction industry.

An online targeted stakeholder consultation was conducted in fall 2012 to support the development of the regulations associated with the Act. Staff are also developing public education initiatives and a publicly accessible online registry software system.

New Penalties Under the *Safety Codes Act*

Bill 6, the *Protection and Compliance Statues Amendment Act*, amended the *Safety Codes Act* to increase fines for safety codes infractions and to introduce a three-year limitation period. The maximum fines for offences under the Act were increased from $15,000 for a first offence to $100,000 and from $30,000 for subsequent offences to $500,000. These increased fines will apply to offences which occur on or after December 10, 2012.

Previously, the *Safety Codes Act* did not include a limitation period for prosecution of offences, so the six-month limitation period in the *Provincial Offences Procedure Act* applied. Following the amendment, the *Safety Codes Act* will now enable prosecution of offences under the Act to occur three years after the day on which evidence of the offence first comes to the attention of a safety codes officer. This new limitation period applies to offences that are committed on or after December 10, 2012.

Ongoing Support to Slave Lake

Municipal Affairs continues to provide support to Slave Lake as the community rebuilds following the devastating fire in May 2011. The Public Safety Division provided information sessions to the community and contractors, which detailed the high-intensity residential fire requirements of the Alberta Building Code. These requirements are designed to protect communities from residential fires that can spread rapidly. Additionally, staff fostered working relationships with the municipality and the accredited agencies providing inspection and permitting services, to ensure development planning was connected to permitting.

Tank Site Remediation Program

The Tank Site Remediation program provides grant funding to clean up eligible current or former gas station sites contaminated by leaking underground petroleum storage tanks. The 2012-13 budget was approved with $6 million in grant funding. This enabled the department to extend grant agreements and allocate funding to continue the cleanup of approved sites. In the 2012 calendar year, an additional 11 sites were remediated, bringing the total number of sites remediated to 897.

A cross-ministry initiative between Alberta Health and Municipal Affairs to better align health and safety inspections for rental accommodations resulted in amendments to the Minimum Housing and Health Standards under the Housing Regulation.

Providing Clarity to Landlords

A cross-ministry initiative between Alberta Health and Municipal Affairs to better align health and safety inspections for rental accommodations resulted in amendments to the Minimum Housing and Health Standards under the Housing Regulation. These amendments provide the authority for health inspectors and safety codes officers to collaborate during an inspection so their inspections are consistent, rely on the appropriate expertise, and are supportive of the objectives for protecting both persons and property. In support of the amendments, health inspectors and safety codes officers will be able to contact each other through an existing call centre for expert advice and inspection support. This initiative will enhance safety for Albertans, with less duplication and inconsistency related to inspections and enforcement.

Province Recertified by International Accreditation Body

The International Fire Service Accreditation Congress conducted a rigorous audit of the province's training standards, which include examination development, administration and security, formal training standards oversight, and policies and procedures in related activities. Audits by the congress are held every five years and are intended to confirm the province's authority to provide training certification to Alberta's fire service. The audit is conducted by assessing whether the province is meeting international standards. The review recertified the province in 27 training standards and certified the province in three new training standards. This recognition allows the Office of the Fire Commissioner to certify Alberta's fire service to 30 internationally recognized training standards.

Fire Services Accreditation and Certification

This year, fire services accreditation and certification was transitioned from Lakeland College to the Office of the Fire Commissioner. All certification and accreditation activities have been centralized to Edmonton, which has greatly improved co-ordination. Lakeland College continues to offer high quality training to Alberta's fire service.

Regulatory Change

The Authorized Accredited Agencies Regulation was amended to update the Schedule that lists the authorized accredited agencies. The Amusement Rides Standards Regulation was amended to provide for additional safety requirements when a metal defect is discovered on a critical component of an amusement ride. The Certification and Permit Regulation was amended to require applicants for Master Electrician (ME) certificates to have three years experience as a journeyman electrician in the five years preceding their application and require MEs to take mandatory code update training. The Plumbing Code Regulation was amended to adopt the 2010 National Plumbing Code. Regulations adopting standards and codes were amended to remove the expiry date provision.

Wildland Fire Investigations

Following a November 2012 wildland fire in the Lethbridge region, the Office of the Fire Commissioner provided support to the Blood Tribe and the County of Lethbridge. The wildland fire, exacerbated by high winds, caused significant damage to land and buildings in the region. Due to the extent of the damage, the Office of the Fire Commissioner completed investigation and reporting for these communities.

Fostering Regional Collaboration

The Office of the Fire Commissioner provides advisory and support services to Alberta's municipalities. This past year, advisory services were provided to Pincher Creek as it develops a regional services commission focused on public safety services. This work will be ongoing.

The following section explains the results of performance measure 4.a as there was a significant variance from targeted results.

Performance measure 4.a: *The percentage of assessed accredited municipal entities, corporations, agencies, and delegated administrative organizations administering the Safety Codes Act that achieve a satisfactory rating*

The target of 98 per cent was not met, with an actual result of 94 per cent.

The result of 94 per cent represents a decrease of four per cent over last year's actual and is below the target of 98 per cent.

Over the past eight years actual results have fluctuated between 94 per cent and 98 per cent. The only trend that can be observed from the actual data is the performance result is constant, averages 96 per cent and shows a constant trend line of 96 per cent. It is reasonable to see consistent results around 96 per cent (fluctuating within a narrow range). The accredited municipalities and accredited corporations compose the major portion of monitored entities. However, the pool of monitored entities is constantly changing as the actual entities that voluntarily accept responsibility for the safety system under the *Safety Codes Act* is constantly changing. The department's consistent monitoring of entities ensures the entities understand their responsibilities under the *Safety Codes Act*, and therefore, produces relatively constant performance measure results.

Municipal Entities – 98 of 105 accredited municipal entities (93 per cent) reviewed achieved a satisfactory performance rating, representing a decrease of three per cent over the previous year.

Corporations – 42 of the 44 accredited corporations (95 per cent) reviewed this year achieved a satisfactory performance rating, representing a decrease of five per cent over the previous year. There are two corporations that scored below the satisfactory rating and are scheduled to be monitored again in the 2013-14 fiscal year.

Agencies – A satisfactory performance measure score was achieved by all seven Authorized Accredited Agencies under contract with the department (100 per cent).

Delegated Administrative Organizations (DAOs) – All three of the DAOs (the Petroleum Tank Management Association of Alberta, the Alberta Elevating Devices and Amusement Rides Safety Association, and the Alberta Boilers Safety Association) were assessed and achieved satisfactory results in 2012-13 (100 per cent). This is consistent with last year's result.

Goal 5: Albertans are protected from the effects of disaster and emergency events through a coordinated and all-hazards focused public safety system

Major Emergency Events

The Provincial Operations Centre (POC) monitors all actual, emerging or potential emergency situations, within and outside the province, where there is potential to impact the citizens of Alberta. At a minimum, the POC is staffed 24/7 by a Provincial Duty Officer, an on-call Duty Manager, and an on-call Field Officer, who watch over and assist with the co-ordination of a provincial response to emergencies and disasters.

> *At a minimum, the Provincial Operations Centre is staffed 24/7 by a Provincial Duty Officer, an on-call Duty Manager, and an on-call Field Officer, who watch over and assist with the co-ordination of a provincial response to emergencies and disasters.*

In the event of a more complex, serious, or protracted incident, a higher level of readiness can be established in the POC with an increased team of emergency management professionals (from across government and including external partners and stakeholders) to co-ordinate a government-wide approach to managing the incident. A significant effort to reinforce and strengthen the operational depth of the POC was initiated this year through the implementation of the POC Augmentation Program. This program will see volunteers drawn from across the Government of Alberta trained to fill a variety of staff positions within the POC during protracted events.

In 2012-13, the POC increased its level of readiness 10 separate times in relation to the following events:

1. Calgary Metal Recycling Inc. fire;
2. Wildfires, May 2012 – Pembina Grassland, Bonnyville, Wabasca;
3. Rainbow Lake pipeline release;
4. Red Deer River pipeline failure;
5. Southern Alberta high water event – First Nations;
6. Mackenzie County fire complex;
7. Shaw Court Fire – Government of Alberta IT mainframe outage;
8. Woodlands County & Town of Whitecourt flooding;
9. Penn West – High Prairie pipeline release; and
10. Blood Reserve – Lethbridge fires.

Disaster Recovery Programs

In 2012-13, $32.3 million in assistance was provided for 14 Disaster Recovery Programs. These programs were launched to assist residents, small businesses and municipal governments to recover from uninsurable damage caused by disasters and severe weather events.

Municipal Wildfire Assistance Program

In 2012-13, $540,000 in assistance was approved for the Municipal Wildfire Assistance Program. This provincewide program was developed by Alberta Environment and Sustainable Resource Development and the Alberta Emergency Management Agency. It is intended to help reduce the risk and loss associated with wildfires and is designed to assist municipalities with extraordinary costs for the suppression of wildfires when they occur.

The Government of Alberta approved legislation to be introduced to provide funding and regulatory supports for local 911 service delivery.

Funding and Legislative Supports for 911

In response to requests from a broad range of stakeholders, including 911 centres, municipalities, and emergency services groups, the Government of Alberta approved legislation to be introduced to provide funding and regulatory supports for local 911 service delivery. These supports aim to strengthen 911 service delivery through the establishment of a new monthly 911 wireless levy to help fund enhanced service capacity, acquisition of new technology and development and implementation of common standards. The new supports being established are similar to approaches taken in other provinces. These supports will come into effect by regulation in 2013, and are estimated to fund over $14 million annually for 911 centres.

Emergency Preparedness

The ministry facilitated the approval of 29 municipal requests, totalling $270,740 for federal Joint Emergency Preparedness Program grants. This funding was provided to communities that expressed interest in obtaining emergency response equipment or training, or for emergency planning and exercises. Other emergency preparedness projects included $150,000 provided to 31 regional municipalities for emergency preparedness training.

Cross-government Business Continuity

The Alberta Emergency Management Agency (AEMA) continues to consult with GoA departments to prepare, implement and maintain business continuity plans. All government ministries are legislated to participate in the cross-government business continuity program. Agencies, boards and commissions participate in the program voluntarily.

The AEMA reviews the completeness of department business continuity plans, with each ministry being reviewed every other year. Currently the AEMA is leading a cross-government effort to rewrite the GoA Business Continuity Plan. Cross-government business continuity exercises are conducted twice a year – the most recent (November 2012) focused on providing essential services during a prolonged business disruption due to flooding impacts.

The AEMA, with the help of the Cross-Government Coordination Team, assists ministries during incidents that disrupt the government's essential services. In 2012-13 there were 24 reported disruptive incidents; the most common were power outages and winter storms, while the most significant GoA outage was the Shaw Court Fire and resulting GoA IT Mainframe outage in July 2012.

Alberta Emergency Alert

Alberta Emergency Alert was launched June 28, 2011, replacing the analog Emergency Public Warning System. Alberta Emergency Alert uses digital technology and common standards to reach Albertans through radio, TV, social media, RSS feeds (a format used to publish frequently updated works such as blog entries, news headlines, and audio or video in a standard format), as well as a dedicated website: www.emergencyalert.alberta.ca.

In 2012-13, the Alberta Emergency Alert system received two awards for technology and innovation from the International Association of Emergency Managers, including an award recognizing the Alberta Emergency Alert as a global leader.

In 2012-13, the Alberta Emergency Alert system received two awards for technology and innovation from the International Association of Emergency Managers, including an award recognizing the Alberta Emergency Alert as a global leader.

In 2012-13:

- there have been 39 alerts, including 24 critical alerts (immediate threat to life and/or safety), since the system was launched;
- public alerts included a wide range of hazards, including wind/tornado warning, AMBER alerts (child abduction), high water levels, wildfires, air quality, and loss of 911 services;
- over 100 media partners participate voluntarily in the program, distributing critical alerts across their air waves; and
- more than four million visitors have used Alberta Emergency Alert's website to retrieve information about emergencies in Alberta.

Alberta Emergency Management Agency Stakeholder Summit

The fifth annual AEMA Stakeholder Summit was held in Edmonton in November 2012. More than 290 public safety system stakeholders attended. The theme of the summit was Integration: You're Stronger Than You Know. Participants in the summit reviewed current events, shared interoperability strategies and developed networks to further the relationships needed for the successful operation of Alberta's emergency management systems.

Keynote presentations from international and national experts in emergency management touched on strategies for disaster risk reduction, personal preparedness for emergencies, and a communications interoperability strategy for Canada. There was also a variety of breakout sessions that focused on search and rescue, interoperability, flooding, the Slave Lake wildfires, joint exercise planning, use of social media in emergencies, regionalization, mutual aid organizations, and several other topics.

The following section explains the results of performance measure 5.b as there was a significant variance from targeted results.

Performance measure 5.b: *Level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years*

The target of 94 per cent was not met, with an actual result of 81 per cent.

The 94 per cent target was not met, due in part to the frequency and intensity of the actual emergencies experienced during the past few years, as well as to staffing shortages and vacancies during the four-year period covered by the performance measure window. The *Emergency Management Act* also has no requirement for exercises to be conducted.

The expected result was determined based on third-quarter statistics and forecast exercises to the end of March 2013.

Although the actual is substantially below the target, an analysis based on population exercised shows that municipalities representing 96 per cent of the population were exercised in this period, which represents a 1.9 per cent increase from last year.

Factors that reduced the actual results were:

- Under the *Emergency Management Act*, no municipality can be compelled to exercise; and
- A risk management approach is applied, with priority given to municipalities where the risk as represented by the hazard and the population is highest. The ministry is, therefore, able to report that exercises were conducted in municipalities that represent over 96 per cent of the population in the province.

The multi-year trend of this performance measure as calculated is downwards. It can be ascertained that emergency planning is a priority for the vast majority of larger municipalities, as indicated by the high (96 per cent) percentage of the population represented by communities that have conducted an exercise. However, the *Emergency Management Act* does not compel municipalities to exercise. As such, the Alberta Emergency Management Agency has only an indirect influence over whether or not municipalities exercise, which can lead to variable results. Anecdotal evidence indicates that municipalities are being constrained in their ability to conduct exercises by financial and human resource limitations. With the recent closure by the federal government of the Canadian Emergency Management College, and the cancellation of the federal Joint Emergency Preparedness Program effective this fiscal year, it is not unreasonable to expect that this downward trend will continue.

Expense by Function

Ministry of Municipal Affairs
For the year ended March 31, 2013
(in thousands of dollars)

	2013		2012
	Budget	Actual	Actual (Restated)
Social Services	$ 71,100	$ 66,122	$ 58,930
Protection of Persons and Property	83,769	81,754	248,606
Regional Planning and Development	956,346	951,528	954,366
Recreation and Culture	32,429	32,460	31,765
Housing	170,419	157,952	248,040
General Government	56,443	52,986	48,545
Debt Servicing Costs	14,120	14,100	15,855
	$ 1,384,626	$ 1,356,902	$ 1,606,107

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Ministry of Municipal Affairs

Consolidated Financial Statements

March 31, 2013

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AUDITOR
GENERAL
Alberta

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Municipal Affairs, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Municipal Affairs as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 29, 2013

Edmonton, Alberta

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2013
(in thousands)

	2013		2012
	Budget **(Schedule 3)**	**Actual**	**Actual** **(Restated - Note 3)**
Revenues (Schedule 1)			
Government Transfers			
Federal Government Grants	$ 104,040	$ 62,717	$ 174,750
Premiums, Fees and Licenses	6,271	7,592	5,784
Investment Income	3,893	3,745	3,415
Other Revenue	15,226	70,489	29,295
	129,430	144,543	213,244
Expenses - Directly Incurred (Note 2(c) and Schedule 5)			
Program (Schedule 2)			
Ministry Support Services	17,534	14,387	13,201
Local Government Services	29,210	22,717	21,672
Municipal Sustainability Initiative	896,000	896,000	886,000
Grants in Place of Taxes	56,443	52,986	48,545
Regional Collaboration Program	9,039	14,805	29,553
Public Safety	20,381	18,402	14,111
Alberta Emergency Management Agency	54,269	57,133	229,240
Municipal Government Board	4,563	3,620	3,942
Library Services	32,429	32,460	31,765
Housing	56,020	34,244	133,289
Alberta Social Housing Corporation	188,091	189,830	173,680
Safety Codes Council	6,527	6,218	5,254
	1,370,506	1,342,802	1,590,252
Debt Servicing			
Alberta Social Housing Corporation	14,120	14,100	15,855
	1,384,626	1,356,902	1,606,107
Net Operating Results	$ (1,255,196)	$ (1,212,359)	$ (1,392,863)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2013
(in thousands)

	2013	2012 (Restated - Note 3)
Assets		
Cash (Note 4)	$ 291,237	$ 269,428
Accounts Receivable (Note 5)	266,369	275,550
Portfolio Investments (Note 6)	5,308	4,135
Loans and Advances (Note 8)	21,449	7,960
Tangible Capital Assets (Note 9)	618,764	632,747
	$ 1,203,127	$ 1,189,820
Liabilities		
Accounts Payable and Accrued Liabilities	$ 523,404	$ 762,495
Deferred Revenue (Note 10)	20,171	171
Debentures and Notes Payable (Note 11)	172,890	201,554
	716,465	964,220
Net Assets		
Net Assets at Beginning of Year	225,600	190,118
Net Operating Results	(1,212,359)	(1,392,863)
Net Financing Provided from General Revenues	1,473,421	1,428,345
Net Assets at End of Year	486,662	225,600
	$ 1,203,127	$ 1,189,820

Contractual obligations and contingent liabilities (Notes 12 and 13)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2013
(in thousands)

	2013 Actual	2012 Actual (Restated - Note 3)
Operating Transactions		
Net Operating Results	$ (1,212,359)	$ (1,392,863)
Non-cash items included in Net Operating Results:		
Amortization	27,346	26,104
Capital Contributions in Kind	-	(3,770)
Gain on Disposal of Tangible Capital Assets	(1,414)	(7,054)
Loss on Disposal of Tangible Capital Assets	152	184
	(1,186,275)	(1,377,399)
Decrease (Increase) in Accounts Receivable	9,181	(91,110)
Increase in Loans and Advances	(13,489)	(244)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(239,091)	87,994
Increase in Deferred Revenue	20,000	-
Cash Applied to Operating Transactions	(1,409,674)	(1,380,759)
Capital Transactions		
Acquisition of Tangible Capital Assets	(13,563)	(30,164)
Proceeds on Disposal of Tangible Capital Assets	1,462	7,244
Cash Applied to Capital Transactions	(12,101)	(22,920)
Investing Transactions		
Purchase of Portfolio Investments	(1,208)	(598)
Sale of Portfolio Investments	35	180
Cash Applied to Investing Transactions	(1,173)	(418)
Financing Transactions		
Repayment of Debentures and Notes Payable	(28,664)	(26,973)
Net Financing Provided from General Revenues	1,473,421	1,428,345
Cash Provided by Financing Transactions	1,444,757	1,401,372
Increase (Decrease) in Cash	21,809	(2,725)
Cash at Beginning of Year	269,428	272,153
Cash at End of Year	$ 291,237	$ 269,428

The accompanying notes and schedules are part of these consolidated financial statements.

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Municipal Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also disclosed in Note 2(a).

The ministry's mission is to help ensure Albertans are served by enduring, collaborative and accountable local governments and live in strong, safe and viable communities. Its core businesses are to support municipalities and their communities and to coordinate and support public safety through the safety codes, fire and emergency management systems.

This is done by:

- Enhancing long-term viability and accountability of municipalities and their communities.
- Providing fair and timely decisions on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations.
- Providing low-income Albertans access to a range of safe and affordable housing options and supports.
- Addressing Albertans' safety, health, accessibility and conservation priorities for the built environment through a collaborative community-focused safety codes system.
- Protecting Albertans from the effects of disaster and emergency events through a coordinated and all-hazards focused public safety system.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Ministry of Municipal Affairs for which the Minister of Municipal Affairs is accountable. The *Government Accountability Act* defines a ministry as including the department and any provincial agency and crown-controlled organization for which the minister is responsible. These consolidated financial statements include the accounts of the Department of Municipal Affairs (*Government Organization Act*), the Alberta Social Housing Corporation (*Alberta Housing Act*) and the Safety Codes Council (*Safety Codes Act*). The ministry is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these consolidated financial statements except by way of disclosure in Note 14.

The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Consolidation

The accounts of the Department of Municipal Affairs, the Alberta Social Housing Corporation and the Safety Codes Council have been consolidated on a line-by-line basis. Revenue and expense, investing and financing transactions and related asset and liability balances between the consolidated entities have been eliminated.

The Safety Codes Council year end is December 31. Transactions that occurred between January 1 and March 31, 2013 did not significantly affect consolidation and have not been recorded. Where applicable, accounts of the Safety Codes Council have been adjusted to conform with accounting policies of the ministry.

(c) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms of the transfer, or the stipulations together with the ministry's actions and communications as to the use of transfers create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the ministry is eligible to receive the funds.

Capital Contributions

Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made. The ministry recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada. Because the accounts receivable from the Government of Canada for Disaster Financial Assistance Arrangements is based on an estimate, adjustments to the accounts receivable are reflected in current year revenue.

Expenses

Directly Incurred

Directly incurred expenses are those costs the ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Expenses (Cont'd)

Directly Incurred (Cont'd)

- debt servicing costs,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the ministry operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the ministry are limited to cash, financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Loans and advances are recorded at cost less provisions for estimated losses. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies. Loans and advances include mortgages and advances to housing providers to address short term cash flow needs for specified projects and operating pressures.

Assets acquired by right are not included. Tangible capital assets of the ministry are recorded at historical cost and, except for land, are amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets

Net assets represents the difference between the carrying value of assets held by the ministry and its liabilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(c) Basis of Financial Reporting (Cont'd)

Net Assets (Cont'd)

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program $138,025 (2012 – $203,415) and accounts receivable from management bodies $10,587 (2012 – $10,696) as disclosed in these financial statements are subject to measurement uncertainty.

A portion of the Government of Canada accounts receivable, $164,069 (2012 – $175,450) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as construction cost fluctuations, receipt of eligible claims, and the level of work and time required to recover from disaster events.

NOTE 3 GOVERNMENT REORGANIZATION

(in thousands)

As a result of the restructuring of government ministries announced on May 8, 2012, the Ministry of Municipal Affairs was transferred responsibility for the administration of Seniors Lodge Assistance Grants and the related portion of Supportive Living Program Delivery from the Ministry of Health (Order in Council 155/2012 and 235/2012). Comparatives for 2012 have been restated as if the ministry had always been assigned with its current responsibilities. Net Assets on March 31, 2011 are made up as follows:

Net Assets as previously reported	$ 190,893
Transfer from the Ministry of Health	(775)
Net Assets at March 31, 2011	$ 190,118

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 4 CASH

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short term securities with a maximum term to maturity of three years. As at March 31, 2013, deposits in CCITF had a time-weighted return of 1.25% per annum (2012 – 1.29% per annum). Due to the short term nature of CCITF investments, the carrying value approximates fair value.

NOTE 5 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Government of Canada	$ 236,068	$ -	$ 236,068	$ 248,581
Housing Providers	10,587	-	10,587	10,696
Risk Management Insurance	12,917	-	12,917	12,957
Other	8,339	(1,542)	6,797	3,316
	$ 267,911	$ (1,542)	$ 266,369	$ 275,550

NOTE 6 PORTFOLIO INVESTMENTS

(in thousands)

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Interest Bearing Securities[a]				
Deposits and short-term securities	$ 495	$ 495	$ 338	$ 338
Bonds and mortgages	3,749	3,720	2,940	3,227
	4,244	4,215	3,278	3,565
Equities				
Canadian public equities	1,064	1,500	857	910
	$ 5,308	$ 5,715	$ 4,135	$ 4,475

[a] Interest bearing securities have an average effective market yield of 4.29% per annum.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 6 PORTFOLIO INVESTMENTS (Cont'd)

(in thousands)

Following is the maturity structure based on principal amount:

	2013	2012
Under 1 Year	13%	9%
1 to 5 Years	45%	31%
6 to 10 Years	42%	50%
11 to 20 Years	0%	10%
	100%	100%

NOTE 7 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, Accounts Receivable (excluding disaster recovery accounts receivable) and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of Loans and Advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability. The fair value of Debentures and Notes Payable is disclosed in Note 11.

Disaster Recovery accounts receivable $164,069 (2012 – $175,450), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the ministry believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the ministry is unable to estimate the fair value.

NOTE 8 LOANS AND ADVANCES

(in thousands)

	2013			2012
	Gross Amount	Allowance for Losses	Net Realizable Value	Net Realizable Value
Rural and Native[a]	$ 968	$ -	$ 968	$ 1,484
Housing Providers Reserves[b]	5,127	-	5,127	5,128
Rent Supplement Program[c]	14,327	-	14,327	-
Other	1,027	-	1,027	1,348
	$ 21,449	$ -	$ 21,449	$ 7,960

[a] Mortgages receivable provided under the Rural and Native Housing program are repayable over an amortization period of 25 years with a five-year interest renewal term.

[b] Housing Providers are provided an advance based on the number of housing units under management in order to address short term operating cash flow requirements during the year. These cash advances can be collected at any time at the discretion of the minister. These funds are required to be replenished.

[c] Housing Management Bodies are provided an advance for approximately two months of anticipated annual operational funding requirements to administer the Rent Supplement Program. These cash advances can be collected at any time at the discretion of the minister. These cash advances are replenished as monthly claims are processed.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 9 TANGIBLE CAPITAL ASSETS

(in thousands)

	2013				
	Land	Buildings & Leasehold Improvements	Equipment$^{(a)}$	Computer Hardware and Software	Total
Estimated useful life	Indefinite	10-50 years	5-10 years	3-5 years	
Historical Cost					
Beginning of year	$ 115,122	$ 1,118,521	$ 28,730	$ 17,658	$ 1,280,031
Additions	329	8,285	425	4,524	13,563
Transfers	-	3,525	(3,525)	-	-
Disposals, including write-downs	(48)	(566)	(40)	(196)	(850)
	$ 115,403	$ 1,129,765	$ 25,590	$ 21,986	$ 1,292,744
Accumulated Amortization					
Beginning of year	$ -	$ 629,142	$ 2,975	$ 15,167	$ 647,284
Amortization expense	-	23,694	2,446	1,206	27,346
Effect of disposals	-	(427)	(36)	(187)	(650)
	$ -	$ 652,409	$ 5,385	$ 16,186	$ 673,980
Net book value at March 31, 2013	$ 115,403	$ 477,356	$ 20,205	$ 5,800	$ 618,764
Net book value at March 31, 2012	$ 115,122	$ 489,379	$ 25,755	$ 2,491	$ 632,747

(a) Equipment includes modular homes, vehicles, office equipment and other equipment.

NOTE 10 DEFERRED REVENUE

(in thousands)

Under the Canada-Alberta Agreement for Investment in Affordable Housing with Canada Mortgage and Housing Corporation (CMHC), $20,000 of the federal funding has been committed to improving and preserving the quality of Affordable Housing and will be recognized as revenue in future years.

Other deferred revenue is $171 (2012 – $171).

NOTE 11 DEBENTURES AND NOTES PAYABLE

(in thousands)

The ministry's long term debt and exposure to interest rate risk are summarized as follows:

	2013	2012
Canada Mortgage and Housing Corporation$^{(a)}$	$ 66,865	$ 69,011
Alberta Treasury Board and Finance$^{(b)}$	106,025	132,543
	$ 172,890	$ 201,554

(a) Debentures maturing January 2023 to January 2030, with a weighted average effective rate of 9.661%

(b) Notes payable maturing September 16, 2016, with an effective rate of 5.93%.

NOTE 11 LONG-TERM DEBT (Cont'd)

(in thousands)

The Province of Alberta guarantees the repayment of principal and interest on all borrowings. The debentures, including interest thereon, are repayable in equal annual or semi-annual installments and the note payable is repayable in equal semi-annual installments.

Approximate aggregate repayments of principal in each of the next five years are:

2014	$ 30,463
2015	32,378
2016	34,415
2017	19,588
2018	3,375
Thereafter	52,671
	$ 172,890

Long-term debt has a fair value of $97,627 (2012 – $102,122) for Canada Mortgage and Housing Corporation debentures and $115,507 (2012 – $145,950) for the note payable to Alberta Treasury Board and Finance. Fair values for debt are based on the Province of Alberta's current borrowing rates which are available to the ministry for debt with similar terms and maturities.

NOTE 12 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2013	2012
Service Contracts[a]	$ 43,158	$ 18,667
Agreements[b]	7,342,000	8,238,000
Operating Leases[c]	36,032	37,380
Programs[d]	202,058	242,971
	$ 7,623,248	$ 8,537,018

[a] Includes contracts for supplies and services, an operating lease for office space and equipment leases.

[b] Agreements of $7,342,000 relate to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Ministry of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

[c] The ministry leases land for the purpose of providing social housing.

[d] Agreements to provide funding for housing program delivery.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 12 CONTRACTUAL OBLIGATIONS (Cont'd)

(in thousands)

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Agreements	Long-Term Leases	Programs	Total
2013-14	$ 27,555	$ 896,000	$ 1,347	$ 18,570	$ 943,472
2014-15	8,664	876,000	1,347	18,197	904,208
2015-16	2,808	861,000	1,347	18,197	883,352
2016-17	2,612	846,000	1,347	18,197	868,156
2017-18	1,432	846,000	1,347	18,113	866,892
Thereafter	87	3,017,000	29,297	110,784	3,157,168
	$ 43,158	$ 7,342,000	$ 36,032	$ 202,058	$ 7,623,248

NOTE 13 CONTINGENT LIABILITIES

(in thousands)
(Restated)

The ministry is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate.

The ministry has been named in seven (2012 – four) claims of which the outcome is not determinable. These seven claims (2012 – four) have specified amounts totaling $6,671 (2012 – $606). Included in the total claims, six claims totaling $1,171 (2012 – three claims totaling $510) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 14 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the ministry's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the audited financial statements of the trust funds for December 31, 2012 and December 31, 2011 are as follows:

	2012	2011
Special Areas Trust Account	$ 250,975	$ 231,150
Improvement Districts' Trust Account[a]	11,994	9,825
	$ 262,969	$ 240,975

[a] Improvement District No. 4, 9, 12, 13, 24 and 349 are unaudited for 2012.

NOTE 15 PROGRAM RECOVERIES

The Canada Mortgage and Housing Corporation (CMHC) provides contributions toward subsidies of rental properties and mortgages receivable and for certain capital costs, the administration expenses and net operating results of approved community housing projects through cost-sharing agreements. CMHC also provides contributions for net operating results of approved community, and seniors housing and rent supplement projects. The ministry also receives recoveries for eligible costs under operating agreements with CMHC for special needs housing and affordable housing.

NOTE 16 HOUSING PROVIDERS

The ministry supports the provision of seniors and community housing through housing providers. Grants are provided to cover operating support for various housing programs and are recorded as expenses. Recoveries are received from housing providers who operate with surpluses and are recorded as revenues. Costs for property insurance, amortization and interest on long term debt are incurred and recorded by the ministry; housing providers do not incur or record these expenses.

NOTE 17 PAYMENTS UNDER AGREEMENT

(in thousands)

The ministry has entered into agreements to deliver programs and services that are fully funded by:

- Public Safety Canada to deliver the Joint Emergency Preparedness Program which is designed to provide financial assistance, on a cost-shared basis with municipalities, to fund projects that will develop or enhance a regional emergency response capability.
- Aboriginal Affairs and Northern Development Canada to deliver the Alberta First Nations Emergency Planning Program.

Costs under these agreements are incurred by the ministry under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $2,220 (2012 – $1,582) and accounts payable includes $1,913 (2012 – $1,417) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	2013	2012
Joint Emergency Preparedness Program	$ 1,110	$ 1,122
First Nations Emergency Planning Program	637	558
	$ 1,747	$ 1,680

NOTE 18 BENEFIT PLANS

(in thousands)
(Restated - Note 3)

The ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $6,090 for the year ended March 31, 2013 (2012 – $5,173). Ministries are not responsible for future funding of the plan deficit other than through contribution increases.

NOTE 18 BENEFIT PLANS (Cont'd)

(in thousands)
(Restated - Note 3)

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of $303,423 (2011 – deficiency $517,726), the Public Service Pension Plan reported a deficiency of $1,645,141 (2011 – deficiency $1,790,383) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $51,870 (2011 – deficiency $53,489).

The ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of $51,717 (2012 – surplus $9,136) and the Management, Opted Out and Excluded Plan an actuarial surplus of $18,327 (2012 – surplus $10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 19 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 20 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the senior financial officer and the deputy minister.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 1**
Revenues
Year ended March 31, 2013
(in thousands)

	2013		2012
	Budget	Actual	Actual
Federal and Other Government Grants			
Recoveries from Canada Mortgage and Housing Corporation (Note 15)	$ 104,040	$ 74,100	$ 92,976
Disaster Financial Assistance Arrangements (Note 2(c))	-	(11,342)	82,130
Other	-	(41)	(356)
	104,040	62,717	174,750
Premiums, Fees and Licences	6,271	7,592	5,784
Investment Income			
Bank and Other	3,893	3,745	3,415
	3,893	3,745	3,415
Other Revenue			
Contributions from Housing Providers and Third Parties	-	-	3,770
Recoveries from Housing Providers (Note 16)	3,000	8,496	7,933
Current Expenditure Refunds	5,337	4,767	4,489
Prior Year Expenditure Refunds	-	54,567	4,253
Rental Revenue	100	1,169	1,522
Gain on Disposal of Tangible Capital Assets	6,201	1,414	7,054
Miscellaneous	588	76	274
	15,226	70,489	29,295
	$ 129,430	$ 144,543	$ 213,244

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 2

Expenses - Directly Incurred Detailed by Object
Year ended March 31, 2013
(in thousands)

	2013		2012
	Budget	Actual	Actual (Restated - Note 3)
Salaries, Wages and Employee Benefits	$ 63,472	$ 57,898	$ 51,974
Supplies and Services	35,349	35,644	53,980
Grants	1,242,867	1,221,305	1,457,764
Debt Servicing Costs	14,120	14,100	15,855
Financial Transactions and Other	121	609	430
Amortization of Tangible Capital Assets	28,697	27,346	26,104
	$ 1,384,626	$ 1,356,902	$ 1,606,107

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 3**
Budget
Year ended March 31, 2013
(in thousands)

	2012-13				
	Estimates[a][b]	Adjustments[c]	Budget[d]	Supplementary Estimate[e]	Authorized Budget
Revenues					
Federal and Other Government Grants	$ 104,040	$ -	$ 104,040	$ -	$ 104,040
Premiums, Fees and Licences	6,271	-	6,271	-	6,271
Investment Income	3,893	-	3,893	-	3,893
Other Revenue	15,226	-	15,226	-	15,226
	129,430	-	129,430	-	129,430
Expenses - Directly Incurred					
Program					
Ministry Support Services	17,534	-	17,534	-	17,534
Local Government Services	29,210	-	29,210	-	29,210
Municipal Sustainability Initiative	896,000	-	896,000	-	896,000
Grants in Place of Taxes	56,443	-	56,443	-	56,443
Regional Collaboration Program	9,039	550	9,589	-	9,589
Public Safety	20,381	-	20,381	(583)	19,798
Alberta Emergency Management Agency	54,269	-	54,269	59,371	113,640
Municipal Government Board	4,563	-	4,563	-	4,563
Library Services	32,429	-	32,429	-	32,429
Housing	56,020	-	56,020	-	56,020
Alberta Social Housing Corporation	188,091	99	188,190	530	188,720
Safety Code Council	6,527	-	6,527	-	6,527
	1,370,506	649	1,371,155	59,318	1,430,473
Debt Servicing					
Alberta Social Housing Corporation	14,120	-	14,120	-	14,120
	1,384,626	649	1,385,275	59,318	1,444,593
Net Operating Results	$ (1,255,196)	$ (649)	$ (1,255,845)	$ (59,318)	$ (1,315,163)
Capital Investment[f]	$ 63,523	$ 1,026	$ 64,549	$ -	$ 64,549

[a] The 2012-13 Government Estimates on the Statement of Operations does not differentiate between amounts not required to be voted and voted expenses. Valuation adjustments are included.

[b] The estimates were restated to reflect the government reorganization on May 8, 2012 (Order in Council 155/2012 and 235/2012). The Ministry of Municipal Affairs was transferred responsibility for the administration of Seniors Lodge Assistance Grants and the related portion of Supportive Living Program Delivery from the Ministry of Health.

[c] Adjustments to the Estimates include:

- $1,675 transfer from the Ministry of Infrastructure for emergent capital purposes. Treasury Board approval is pursuant to the *Appropriation Act*, 2012 section 6 (3).

[d] Budget includes voted expense by program and amounts not required to be voted.

[e] Supplementary Estimates were approved on March 21, 2013.

[f] Capital Investment consists of investments in capital projects, equipment purchases and inventory purchases.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 4**
Related Party Transactions
Year ended March 31, 2013
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the ministry.

The ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The ministry had the following transactions with related parties recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2013	2012
Revenues		
Fees and charges	$ -	$ 59
	$ -	$ 59
Expenses - Directly Incurred		
Grants	$ 14	$ 2,556
Business and Technology Services	1,316	1,129
Insurance	5,977	1,989
Debt Servicing Costs	7,506	9,035
Other Services	248	454
	$ 15,061	$ 15,163
Accounts Receivable		
Risk Management and Insurance	$ 12,917	$ 12,956
Alberta Treasury Board and Finance	162	260
	$ 13,079	$ 13,216
Accounts Payable		
Alberta Treasury Board and Finance(a)	$ 106,283	$ 132,866
Alberta Infrastructure	1,004	879
Risk Management and Insurance	542	359
University of Alberta	14	-
Agriculture Financial Services Corporation	-	1,255
Lakeland College	-	108
	$ 107,843	$ 135,467

(a) Debt and accrued interest on debt.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 4
(Cont'd)

Related Party Transactions
Year ended March 31, 2013
(in thousands)

The ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	Other Entities	
	2013	**2012**
Expenses - Incurred by Others (Schedule 5)		
Accommodation	$ 6,265	$ 8,089
Business Services[(a)]	3,227	2,423
Legal	1,128	1,010
	$ 10,620	$ 11,522

(a) Business Services includes financial and administrative services and air transportation costs.

The ministry paid $52,186 (2012 - $47,636) of grants in place of taxes on behalf of other ministries.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 5**
Allocated Costs
Year ended March 31, 2013
(in thousands)

	2013					2012
		Expenses - Incurred by Others				(Restated - Note 3)
Program	**Expenses[a]**	**Accommodation Costs[b]**	**Business Services[c]**	**Legal Services[d]**	**Expenses**	**Expenses**
Ministry Support Services	$ 14,387	$ 1,089	$ 3,227	$ 156	$ 18,859	$ 16,634
Local Government Services	22,717	2,132	-	469	25,318	23,675
Municipal Sustainability Initiative	896,000	-	-	-	896,000	886,000
Grants in Place of Taxes	52,986	-	-	-	52,986	48,545
Regional Collaboration Program	14,805	-	-	-	14,805	29,553
Public Safety	18,402	1,089	-	239	19,730	15,004
Alberta Emergency Management Agency	57,133	703	-	115	57,951	230,022
Municipal Government Board	3,620	222	-	26	3,868	4,185
Library Services	32,460	105	-	-	32,565	31,853
Housing	34,244	194	-	58	34,496	136,089
Alberta Social Housing Corporation	203,930	731	-	65	204,726	190,815
Safety Codes Council	6,218	-	-	-	6,218	5,254
	$ 1,356,902	$ 6,265	$ 3,227	$ 1,128	$ 1,367,522	$ 1,617,629

[a] Expenses – Directly Incurred as per Consolidated Statement of Operations.

[b] Cost shown for Accommodation on Schedule 4, allocated by number of employees.

[c] Business Services includes financial and administrative services and air transportation allocated by estimated costs incurred in each program.

[d] Costs shown for Legal Services on Schedule 4, allocated by estimated costs incurred by each program.

Department of Municipal Affairs

Financial Statements

March 31, 2013

Independent Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
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1 Revenues
2 Credit or Recovery
3 Expenses - Directly Incurred Detailed by Object
4 Budget
5 Lapse/Encumbrance
6 Comparison of Actual and Budget
7 Salary and Benefits Disclosure
8 Related Party Transactions
9 Allocated Costs

Independent Auditor's Report

AUDITOR GENERAL
Alberta

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Municipal Affairs, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Municipal Affairs as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 29, 2013

Edmonton, Alberta

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF OPERATIONS
Year ended March 31, 2013
(in thousands)

	2013		2012
	Budget (Schedule 4)	Actual	Actual (Restated - Note 3)
Revenues (Schedule 1)			
Government Transfers			
Federal Government Grants	$ 23,840	$ (8,216)	$ 105,265
Premiums, Fees and Licences	284	483	504
Other Revenue	5,337	53,379	8,760
	29,461	45,646	114,529
Expenses - Directly Incurred (Note 2(b) and Schedule 9)			
Program (Schedules 3 and 6)			
Ministry Support Services	17,534	14,387	13,201
Local Government Services	29,210	22,717	21,672
Municipal Sustainability Initiative	896,000	896,000	886,000
Grants in Place of Taxes	56,443	52,986	48,545
Regional Collaboration Program	9,039	14,805	29,553
Public Safety	20,381	19,902	14,111
Alberta Emergency Management Agency	54,269	57,422	255,733
Municipal Government Board	4,563	3,620	3,942
Library Services	32,429	32,460	31,765
Housing	183,913	164,793	269,103
	1,303,781	1,279,092	1,573,625
Net Operating Results	$ (1,274,320)	$ (1,233,446)	$ (1,459,096)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
As at March 31, 2013
(in thousands)

	2013	2012 (Restated - Note 3)
Assets		
Cash	$ -	$ 33
Accounts Receivable (Note 4)	218,217	248,789
Tangible Capital Assets (Note 6)	2,669	3,270
	$ 220,886	$ 252,092
Liabilities		
Accounts Payable and Accrued Liabilities	$ 508,255	$ 779,436
Net Liabilities		
Net Liabilities at Beginning of Year	(527,344)	(496,593)
Net Operating Results	(1,233,446)	(1,459,096)
Net Financing Provided from General Revenues	1,473,421	1,428,345
Net Liabilities at End of Year	(287,369)	(527,344)
	$ 220,886	$ 252,092

Contractual obligations and contingent liabilities (Notes 7 and 8)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF CASH FLOWS
Year ended March 31, 2013
(in thousands)

	2013	2012 (Restated - Note 3)
Operating Transactions		
Net Operating Results	$ (1,233,446)	$ (1,459,096)
Non-cash items included in Net Operating Results:		
Amortization	1,284	1,443
Loss on Disposal of Tangible Capital Assets	9	-
	(1,232,153)	(1,457,653)
Decrease (Increase) in Accounts Receivable	30,572	(84,770)
(Increase) Decrease in Accounts Payable and Accrued Liabilities	(271,181)	114,297
Cash Applied to Operating Transactions	(1,472,762)	(1,428,126)
Capital Transactions		
Acquisition of Tangible Capital Assets	(692)	(801)
Cash Applied to Capital Transactions	(692)	(801)
Financing Transactions		
Net Financing Provided from General Revenues	1,473,421	1,428,345
Cash Provided by Financing Transactions	1,473,421	1,428,345
Decrease in Cash	(33)	(582)
Cash at Beginning of Year	33	615
Cash at End of Year	$ -	$ 33

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 1 AUTHORITY AND PURPOSE

The Department of Municipal Affairs operates under the authority of the *Government Organization Act,* Chapter G-10, Revised Statutes of Alberta 2000.

The department's mission is to help ensure Albertans are served by enduring, collaborative and accountable local governments and live in strong, safe and viable communities. Its core businesses are to support municipalities and their communities and to coordinate and support public safety through the safety codes, fire and emergency management systems.

This is done by:

- Enhancing long-term viability and accountability of municipalities and their communities.
- Providing fair and timely decisions on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations.
- Providing low-income Albertans access to a range of safe and affordable housing options and supports.
- Addressing Albertans' safety, health, accessibility and conservation priorities for the built environment through a collaborative community-focused safety codes system.
- Protecting Albertans from the effects of disaster and emergency events through a coordinated and all-hazards focused public safety system.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Department of Municipal Affairs which is part of the Ministry of Municipal Affairs and for which the Minister of Municipal Affairs is accountable. Other entities reporting to the minister are the Alberta Social Housing Corporation and the Safety Codes Council. The activities of these organizations are not included in these financial statements. The department is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these financial statements except by way of disclosure in Note 9 to these financial statements.

The ministry annual report provides a more comprehensive accounting of the financial position and results of the ministry's operations for which the minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting

Revenue accounting policy

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms of the transfer, or the stipulations together with the department's actions and communications as to the use of transfers create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the department is eligible to receive the funds.

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

The department recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada. Because the accounts receivable from the Government of Canada for Disaster Financial Assistance Arrangements is based on an estimate, adjustments to the accounts receivable are reflected in current year revenue.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual Credit or Recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's Credit or Recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Expenses (Cont'd)

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the department operations are not recognized and are disclosed in Schedule 8 and allocated to programs in Schedule 9.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to cash, financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Net Liabilities

Net Liabilities represent the difference between the carrying value of assets held by the department and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program $138,025 (2012 – $203,415) as disclosed in these financial statements are subject to measurement uncertainty.

A portion of the Government of Canada accounts receivable, $164,069 (2012 – $175,450) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as construction cost fluctuations, receipt of eligible claims, and the level of work and time required to recover from disaster events.

NOTE 3 GOVERNMENT REORGANIZATION AND PROGRAM TRANSFER

(in thousands)

Government Reorganization

As a result of the restructuring of government departments announced on May 8, 2012, the Department of Municipal Affairs was transferred responsibility for the administration of Seniors Lodge Assistance Grants and the related portion of Supportive Living Program Delivery from the Department of Health (Order in Council 155/2012 and 235/2012). Responsibility for the program resides with the Alberta Social Housing Corporation, with grants provided by the Department of Municipal Affairs. Comparatives for 2012 have been restated as if the department had always been assigned with its current responsibilities. Net Liabilities on March 31, 2011 are made up as follows:

Net Liabilities as previously reported	$ (495,818)
Transfer from the Department of Health	(775)
Net Liabilities at March 31, 2011	$ (496,593)

NOTE 3 GOVERNMENT REORGANIZATION AND PROGRAM TRANSFER (Cont'd)

(in thousands)

Program Transfer

Effective April 1, 2012, responsibility for the Rent Supplement Program was transferred from the Department of Municipal Affairs to the Alberta Social Housing Corporation. Assistance for the Rent Supplement Program is provided by the department to the Alberta Social Housing Corporation. Comparatives for 2012 have been restated to reflect this program transfer.

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Government of Canada	$ 214,692	$ -	$ 214,692	$ 248,581
Other	5,036	(1,511)	3,525	208
	$ 219,728	$ (1,511)	$ 218,217	$ 248,789

NOTE 5 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, Accounts Receivable (excluding disaster recovery accounts receivable) and Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

Disaster Recovery accounts receivable $164,069 (2012 – $175,450), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the department believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the department is unable to estimate the fair value.

NOTE 6 TANGIBLE CAPITAL ASSETS

(in thousands)

	2013		
	Equipment[a]	Computer Hardware and Software	Total
Estimated useful life	10 years	5 years	
Historical Cost			
Beginning of Year	$ 2,680	$ 17,091	$ 19,771
Additions	61	631	692
Disposals, Including write-downs	(31)	(174)	(205)
	$ 2,710	$ 17,548	$ 20,258
Accumulated Amortization			
Beginning of Year	1,684	14,817	16,501
Amortization Expense	163	1 121	1,284
Effect of Disposals	(28)	(168)	(196)
	1,819	15,770	17,589
Net book value at March 31, 2013	$ 891	$ 1,778	$ 2,669
Net book value at March 31, 2012	$ 996	$ 2,274	$ 3,270

[a] Equipment includes vehicles, office equipment and other equipment.

NOTE 7 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2013	2012 (Restated- Note 3)
Service Contracts	$ 13,163	$ 16,989
Agreements[a]	7,342,000	8,238,000
Programs[b]	67,638	71,595
	$ 7,422,801	$ 8,326,584

[a] Agreements of $7,342,000 relate to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Department of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

[b] Agreements to provide funding for housing program delivery.

NOTE 7 CONTRACTUAL OBLIGATIONS (Cont'd)

(in thousands)

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contracts	Agreements	Programs	Total
2013-14	$ 11,977	$ 896,000	$ 5,085	$ 913,062
2014-15	1,050	876,000	5,085	882,135
2015-16	96	861,000	5,085	866,181
2016-17	40	846,000	5,085	851,125
2017-18	-	846,000	5,001	851,001
Thereafter	-	3,017,000	42,297	3,059,297
	$ 13,163	$ 7,342,000	$ 67,638	$ 7,422,801

NOTE 8 CONTINGENT LIABILITIES

(in thousands)
(Restated)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The department has been named in two (2012 – two) claims of which the outcome is not determinable. These two claims (2012 – two) have a specified amount of $5,660 (2012 – $256). Included in the total claims, one claim totalling $160 (2012 – 1 claim of $160) is covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the department's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the audited financial statements of the trust funds for December 31, 2012 and December 31, 2011 are as follows:

	2012	2011
Special Areas Trust Account	$ 250,975	$ 231,150
Improvement Districts' Trust Account[(a)]	11,994	9,825
	$ 262,969	$ 240,975

(a) Improvement District No. 4, 9, 12, 13, 24 and 349 are unaudited for 2012.

NOTE 10 PROGRAM RECOVERIES

The department receives recoveries from Canada Mortgage and Housing Corporation (CMHC) for eligible expenditures under the Canada-Alberta Agreement for investment in affordable housing incurred in the Alberta Social Housing Corporation, as well as costs eligible under the operating agreements with CMHC for special needs housing and affordable housing.

NOTE 11 PAYMENTS UNDER AGREEMENT

(in thousands)

The department has entered into agreements to deliver programs and services that are fully funded by:

- Public Safety Canada to deliver the Joint Emergency Preparedness Program which is designed to provide financial assistance, on a cost-shared basis with municipalities, to fund projects that will develop or enhance a regional emergency response capability.
- Aboriginal Affairs and Northern Development Canada to deliver the Alberta First Nations Emergency Planning Program.

Costs under these agreements are incurred by the department under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $2,220 (2012 – $1,582) and accounts payable includes $1,913 (2012 – $1,417) relating to payments under agreement.

Amounts paid and payable under agreements with program sponsors are as follows:

	2013	2012
Joint Emergency Preparedness Program	$ 1,110	$ 1,122
First Nations Emergency Planning Program	637	558
	$ 1,747	$ 1,680

NOTE 12 BENEFIT PLANS

(in thousands)
(Restated - Note 3)

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $6,090 for the year ended March 31, 2013 (2012 – $5,173). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of $303,423 (2011 – deficiency $517,726), the Public Service Pension Plan reported a deficiency of $1,645,141 (2011 – deficiency $1,790,383) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $51,870 (2011 – deficiency $53,489).

NOTE 12 BENEFIT PLANS (Cont'd)

(in thousands)
(Restated - Note 3)

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2013, the Bargaining Unit Plan reported an actuarial surplus of $51,717 (2012 – surplus $9,136) and the Management, Opted Out and Excluded Plan an actuarial surplus of $18,327 (2012 – surplus $10,454). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 13 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the senior financial officer and the deputy minister.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
REVENUES

Schedule 1

Year ended March 31, 2013
(in thousands)

	2013		2012
	Budget	Actual	Actual (Restated - Note 3)
Federal and Other Government Grants			
Recoveries from Canada Mortgage and Housing Corporation (Note 10)			
Affordable Housing	$ 20,190	$ 190	$ 20,190
Special Needs Housing	3,650	2,977	3,301
Disaster Financial Assistance Arrangements (Note 2(b))	-	(11,342)	82,130
Other	-	(41)	(356)
	23,840	(8,216)	105,265
Premiums, Fees and Licences	284	483	504
Other Revenue			
Current Expenditure Refunds	5,337	4,728	4,462
Prior Year Expenditure Refunds	-	48,619	4,281
Miscellaneous	-	32	17
	5,337	53,379	8,760
	$ 29,461	$ 45,646	$ 114,529

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
CREDIT OR RECOVERY

Schedule 2

Year ended March 31, 2013
(in thousands)

	2013		
	Authorized[a]	Actual	(Shortfall)/ Excess[b]
Municipal and Assessment Services			
Linear Assessment Services[c]	$ 3,303	$ 3,303	$ -
	$ 3,303	$ 3,303	$ -

[a] Only expenditures are authorized.

[b] Shortfall is deducted from current year's authorized budget.

[c] The department prepares linear property assessments for various municipalities on a cost recovery basis. The department prepares the linear property assessments, sends assessment notices to taxpayers, defends the assessments and provides data to municipalities, who in turn charge taxes to the owners of the linear property. The revenue is reported as part of other revenue on the Statement of Operations.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS

Schedule 3

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

Year ended March 31, 2013

(in thousands)

	2013		2012
	Budget	Actual	Actual (Restated - Note 3)
Salaries, Wages and Employee Benefits	$ 60,421	$ 54,228	$ 48,939
Supplies and Services	28,813	25,737	47,145
Grants	1,211,866	1,197,738	1,475,920
Other	116	105	178
Amortization of Tangible Capital Assets	2,565	1,284	1,443
	$ 1,303,781	$ 1,279,092	$ 1,573,625

There were no severance or termination payments paid for eligible executive management positions.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
BUDGET
Year ended March 31, 2013
(in thousands)

Schedule 4

	2012-2013				
	Estimate(a)(b)	Adjustments(c)	Budget(d)	Supplementary Estimate(e)	Authorized Budget
Revenues					
Federal and Other Government Grants	$ 23,840	$ -	$ 23,840	$ -	$ 23,840
Premiums, Fees and Licences	284	-	284	-	284
Other Revenue	5,337	-	5,337	-	5,337
	29,461	-	29,461	-	29,461
Expenses - Directly Incurred					
Program					
Ministry Support Services	17,534	-	17,534	-	17,534
Local Government Services	29,210	-	29,210	-	29,210
Municipal Sustainability Initiative	896,000	-	896,000	-	896,000
Grants in Place of Taxes	56,443	-	56,443	-	56,443
Regional Collaboration Program	9,039	550	9,589	-	9,589
Public Safety	20,381	-	20,381	(583)	19,798
Alberta Emergency Management Agency	54,269	-	54,269	59,371	113,640
Municipal Government Board	4,563	-	4,563	-	4,563
Library Services	32,429	-	32,429	-	32,429
Housing	183,913	1,125	185,038	530	185,568
	1,303,781	1,675	1,305,456	59,318	1,364,774
Net Operating Results	$ (1,274,320)	$ (1,675)	$ (1,275,995)	$ (59,318)	$ (1,335,313)
Capital Investment(f)	$ 5,190	$ -	$ 5,190	$ -	$ 5,190

(a) The 2012-13 Government Estimates on the Statement of Operations does not differentiate between amounts not required to be voted and voted expenses. Valuation adjustments are included.

(b) The estimates were restated to reflect the government reorganization on May 8, 2012 (Order in Council 155/2012 and 235/2012). The Department of Municipal Affairs was transferred responsibility for the administration of Seniors Lodge Assistance Grants and the related portion of Supportive Living Program Delivery from the Department of Health. The responsibility for the program resides with the Alberta Social Housing Corporation, with grants provided by the Department of Municipal Affairs.

(c) Adjustments to the Estimates include:
- $1,675 transfer from the Department of Infrastructure for emergent capital purposes. Treasury Board approval is pursuant to the *Appropriation Act*, 2012 section 6(3).

(d) Budget includes voted expense by program and amounts not required to be voted.

(e) Supplementary Estimates were approved on March 21, 2013.

(f) Capital Investment consists of investments in capital projects, equipment purchases and inventory purchases.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE

Schedule 5

Year ended March 31, 2013
(in thousands)

		2012-13					
		Voted Estimate [a]	Adjustments [b]	Supplementary Estimate [c]	Adjusted Voted Estimate	Actuals[d]	Unexpended (Over Expended)
Program Operating							
1	**Ministry Support Services**						
1.1	Minister's Office	$ 573	$ -	$ -	$ 573	$ 599	$ (26)
1.2	Associate Minister's Office	-	-	-	-	231	(231)
1.3	Deputy Minister's Office	814	-	-	814	783	31
1.4	Support Services	15,267	-	-	15,267	12,414	2,853
		16,654	-	-	16,654	14,027	2,627
2	**Local Government Services**						
2.1	Major Legislative Projects and Strategic Planning	3,562	-	-	3,562	3,116	446
2.2	Municipal Services	9,457	-	-	9,457	7,057	2,400
2.3	Grants and Education Property Tax	4,931	-	-	4,931	4,000	931
2.4	Assessment Services	9,793	-	-	9,793	7,270	2,523
		27,743	-	-	27,743	21,443	6,300
3	**Municipal Sustainability Initiative**						
3.1	Municipal Sustainability Capital Grants	846,000	-	-	846,000	848,812	(2,812)
3.2	Municipal Sustainability Operating Grants	50,000	-	-	50,000	47,188	2,812
		896,000	-	-	896,000	896,000	-
4	**Grants in Place of Taxes**	56,443	-	-	56,443	52,986	3,457
5	**Regional Collaboration Program**	9,039	550	-	9,589	14,805	(5,216)
6	**Public Safety**						
6.1	Division Support	1,443	-	-	1,443	3,034	(1,591)
6.2	Program Management	409	-	-	409	431	(22)
6.3	Technical Services	2,318	-	-	2,318	1,944	374
6.4	Regional Services	4,536	-	-	4,536	3,954	582
6.5	Tank Site Remediation Program	6,390	-	-	6,390	6,354	36
6.6	Office of the Fire Commissioner	3,702	-	-	3,702	3,729	(27)
6.7	Home Warranty Program	1,383	-	(583)	800	308	492
		20,181	-	(583)	19,598	19,754	(156)

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE

Year ended March 31, 2013
(in thousands)

Schedule 5
(Cont'd)

		2012-13					
		Voted Estimate [a]	Adjustments [b]	Supplementary Estimate [c]	Adjusted Voted Estimate	Actuals[d]	Unexpended (Over Expended)
7	**Alberta Emergency Management Agency**						
7.1	Managing Director's Office	700	-	-	700	642	58
7.2	Public Safety Initiatives	2,457	-	-	2,457	2,656	(199)
7.3	Provincial Operations	6,155	-	-	6,155	5,787	368
7.4	Disaster Recovery	44,687	-	59,371	104,058	47,956	56,102
7.5	Emergency Preparedness Grants	150	-	-	150	150	-
		54,149	-	59,371	113,520	57,191	56,329
8	**Municipal Government Board**	4,559	-	-	4,559	3,587	972
9	**Library Services**						
9.1	Library Services Operations	1,710	-	-	1,710	1,114	596
9.2	Provincial Library Network	30,719	-	-	30,719	31,346	(627)
		32,429	-	-	32,429	32,460	(31)
10	**Housing**						
10.1	Divisional Support	658	-	-	658	475	183
10.2	Housing Capital Programs	42,407	-	-	42,407	21,967	20,440
10.3	Stakeholder Relations and Housing Strategies	9,107	-	-	9,107	8,512	595
10.4	Housing Funding and Accountability	3,754	-	-	3,754	3,290	464
10.5	Assistance to Alberta Social Housing Corporation - Debt Repayment	28,664	-	-	28,664	28,664	-
10.6	Assistance to Alberta Social Housing Corporation - Housing Providers	4,409	-	-	4,409	5,409	(1,000)
10.7	Assistance to Alberta Social Housing Corporation - Rent Supplement	59,100	-	-	59,100	59,100	-
10.8	Assistance to Alberta Social Housing Corporation - Seniors Lodge	35,720	1,125	530	37,375	37,375	-
		183,819	1,125	530	185,474	164,792	20,682
	Total	$ 1,301,016	$ 1,675	$ 59,318	$ 1,362,009	$ 1,277,045	$ 84,964
	Lapse/(Encumbrance)						$ 84,964

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
LAPSE/ENCUMBRANCE
Year ended March 31, 2013
(in thousands)

Schedule 5
(Cont'd)

		2012-13					
		Voted Estimate [a]	Adjust-ments [b]	Supplementary Estimate [c]	Adjusted Voted Estimate	Actuals[d]	Unexpended (Over Expended)
Program - Capital Investments							
1	**Ministry Support Services**						
1.4	Support Services	$ 100	$ -	$ -	$ 100	$ 111	$ (11)
2	**Local Government Services**						
2.2	Municipal Services	100	-	-	100	-	100
2.3	Grants and Education Property Tax	468	-	-	468	338	130
2.4	Assessment Services	522	-	-	522	182	340
6	**Public Safety**						
6.6	Office of the Fire Commissioner	-		-	-	16	(16)
6.7	Home Warranty Program	4,000	-	-	4,000	-	4,000
7	**Alberta Emergency Management Agency**						
7.3	Provincial Operations	-	-	-	-	45	(45)
	Total	$ 5,190	$ -	$ -	$ 5,190	$ 692	$ 4,498
	Lapse/(Encumbrance)						$ 4,498

[a] As per "Voted Expense by Program" and "Voted Capital Investment by Program" page 212 to page 214 of 2012-13 Government Estimates. The estimates were restated to reflect the government reorganization on May 8, 2012 (Order in Council 155/2012 and 235/2012). The Department of Municipal Affairs was transferred responsibility for the administration of Seniors Lodge Assistance Grants and the related portion of Supportive Living Program Delivery from the Department of Health. The responsibility for the program resides with the Alberta Social Housing Corporation, with grants provided by the Department of Municipal Affairs.

[b] Adjustments to the Estimates include:
- $1,675 transfer from the Department of Infrastructure for emergent capital purposes. Treasury Board approval is pursuant to the *Appropriation Act*, 2012 section 6(3).

[c] Supplementary Estimates were approved on March 21, 2013.

[d] Actuals exclude non-voted amounts such as amortization and valuation adjustments.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
COMPARISON OF ACTUAL AND BUDGET
Year ended March 31, 2013
(in thousands)

Schedule 6

	2012-13				
	Estimate [a]	Actual Voted	Actual Not Voted [b]	Actual Total	Difference
EXPENSES					
Expense by program					
Ministry Support Services	$ 17,534	$ 14,027	$ 360	$ 14,387	$ 3,147
Local Government Services	29,210	21,443	1,274	22,717	6,493
Municipal Sustainability Initiative	896,000	896,000	-	896,000	-
Grants in Place of Taxes	56,443	52,986	-	52,986	3,457
Regional Collaboration Program	9,039	14,805	-	14,805	(5,766)
Public Safety	20,381	19,754	148	19,902	479
Alberta Emergency Management Agency	54,269	57,191	231	57,422	(3,153)
Municipal Government Board	4,563	3,587	33	3,620	943
Library Services	32,429	32,460	-	32,460	(31)
Housing	183,913	164,792	1	164,793	19,120
	$ 1,303,781	$ 1,277,045	$ 2,047	$ 1,279,092	$ 24,689
Expense by fiscal plan category					
Operating Expense	$ 364,349	$ 353,547	$ 763	$ 354,310	$ 10,039
Disaster Assistance	42,287	45,457	-	45,457	(3,170)
Capital Grants and Support	894,580	878,041	-	878,041	16,539
Amortization of Tangible Capital Assets	2,565	-	1,284	1,284	1,281
	$ 1,303,781	$ 1,277,045	$ 2,047	$ 1,279,092	$ 24,689
Capital Investment by program					
Ministry Support Services	$ 100	$ 111	$ -	$ 111	$ (11)
Local Government Services	1,090	520	-	520	570
Public Safety	4,000	16	-	16	3,984
Alberta Emergency Management Agency	-	45	-	45	(45)
	$ 5,190	$ 692	$ -	$ 692	$ 4,498

[a] As per page 212 to 218 of 2012-13 Government Estimates. The estimates were restated to reflect the government reorganization on May 8, 2012 (Order in Council 155/2012 and 235/2012). The Department of Municipal Affairs was transferred responsibility for the administration of Seniors Lodge Assistance Grants and the related portion of Supportive Living Program Delivery from the Department of Health. The responsibility for the program resides with the Alberta Social Housing Corporation, with grants provided by the Department of Municipal Affairs.

[b] These amounts are not included in any supply vote either because no cash disbursement is required or because the Legislative Assembly has already provided funding authority pursuant to a statute other than an appropriation act.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
SALARY AND BENEFITS DISCLOSURE
Year ended March 31, 2013
(in dollars)

Schedule 7

	2013			2012
	Base Salary [a]	Other Non-Cash Benefits [b]	Total	Total
Department				
Deputy Minister [c]	$ 274,105	$ 84,579	$ 358,684	$ 343,461
Assistant Deputy Ministers				
Local Government Services	192,152	55,710	247,862	243,759
Public Safety	192,152	55,714	247,866	237,694
Corporate Strategic Services	189,339	56,460	245,799	224,590
Housing	191,289	54,431	245,720	229,401
Alberta Emergency Management Agency				
Managing Director [c]	175,686	49,864	225,550	239,894

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(a) Base salary includes pensionable base pay. There were no bonuses paid in 2013.

(b) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(c) Automobile provided, no dollar amount included in other non-cash benefits.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS

Schedule 8

Year ended March 31, 2013
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2013	2012 (Restated - Note 3)	2013	2012
Revenues				
Fees and Charges	$ -	$ -	$ -	$ 59
	$ -	$ -	$ -	$ 59
Expenses - Directly Incurred				
Grants	$ 132,336	$ 162,307	$ 14	$ 2,556
Business and Technology Services	-	-	1,316	1,129
Insurance	-	-	117	109
Other Services	-	-	248	454
	$ 132,336	$ 162,307	$ 1,695	$ 4,248
Receivables from				
Alberta Social Housing Corporation	$ 616	$ -	$ -	$ -
Payables to				
Alberta Social Housing Corporation	$ 2,045	$ 48,855	$ -	$ -
Safety Codes Council	1,500	-	-	-
Agriculture Financial Services Corporation	-	-	-	1,255
Lakeland College	-	-	-	108
University of Alberta	-	-	14	-
	$ 3,545	$ 48,855	$ 14	$ 1,363

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31, 2013
(in thousands)

Schedule 8
(Cont'd)

The department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 9.

	Other Entities	
	2013	2012
Expenses - Incurred by Others (Schedule 9)		
Accommodation	$ 5,534	$ 6,911
Business Services[(a)]	3,227	2,423
Legal	1,063	908
	$ 9,824	$ 10,242

[(a)] Business Services includes financial and administrative services and air transportation costs.

The department paid $52,269 (2012 - $47,769) of grants in place of taxes on behalf of other ministries.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS
Year ended March 31, 2013
(in thousands)

Schedule 9

	2013					2012 (Restated - Note 3)
		Expenses - Incurred by Others				
Program	**Expenses[a]**	**Accommodation Costs[b]**	**Business Services[c]**	**Legal Services[d]**	**Total Expenses**	**Total Expenses**
Ministry Support Services	$ 14,387	$ 1,089	$ 3,227	$ 156	$ 18,859	$ 16,634
Local Government Services	22,717	2,132	-	469	25,318	23,675
Municipal Sustainability Initiative	896,000	-	-	-	896,000	886,000
Grants in Place of Taxes	52,986	-	-	-	52,986	48,545
Regional Collaboration Program	14,805	-	-	-	14,805	29,553
Public Safety	19,902	1,089	-	239	21,230	15,004
Alberta Emergency Management Agency	57,422	703	-	115	58,240	256,515
Municipal Government Board	3,620	222	-	26	3,868	4,185
Library Services	32,460	105	-	-	32,565	31,853
Housing	164,793	194	-	58	165,045	271,903
	$ 1,279,092	$ 5,534	$ 3,227	$ 1,063	$ 1,288,916	$ 1,583,867

[a] Expenses – Directly Incurred as per Statement of Operations.

[b] Cost shown for Accommodation on Schedule 8, allocated by number of employees.

[c] Business Services includes financial and administrative services and air transportation allocated by estimated costs incurred in each program.

[d] Costs shown for Legal Services on Schedule 8, allocated by estimated costs incurred by each program.

Alberta Social Housing Corporation

Financial Statements

March 31, 2013

Independent Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Schedules to the Financial Statements:
1 Revenues
2 Expenses - Directly Incurred Detailed by Object
3 Budget
4 Related Party Transactions
5 Allocated Costs

Independent Auditor's Report

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Social Housing Corporation, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Social Housing Corporation as at March 31, 2013, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 29, 2013

Edmonton, Alberta

ALBERTA SOCIAL HOUSING CORPORATION
STATEMENT OF OPERATIONS
Year ended March 31

	2013		2012
	Budget (Schedule 3)	Actual	Actual (Restated Note 3)
		(in thousands)	
Revenues (Schedule 1)			
Government Transfers			
Government of Alberta Grants	$ 127,893	$ 130,836	$ 162,307
Federal Government Grants	80,200	70,933	69,485
Investment Income	3,705	3,560	3,310
Other Revenue	9,301	17,102	20,576
	221,099	222,431	255,678
Expenses - Directly Incurred (Note 2(b) and Schedules 2 and 5)			
Programs			
Family Housing			
Rent Supplement	71,100	66,122	58,930
Community Housing (Note 13)	51,904	60,699	48,836
Other Housing	70	153	58
Seniors Housing (Note 13)	61,578	60,559	64,553
Special Needs Housing	808	44	49
Emergency Housing	2,631	2,253	1,254
Debt Servicing	14,120	14,100	15,855
	202,211	203,930	189,535
Annual surplus	$ 18,888	$ 18,501	$ 66,143

The accompanying notes and schedules are part of these financial statements.

ALBERTA SOCIAL HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31

		2013		2012
		(in thousands)		
Assets				
Cash and Cash Equivalents (Note 4)	$	291,039	$	269,083
Accounts Receivable (Note 5)		50,221		75,020
Loans and Advances (Note 6)		21,445		7,948
Tangible Capital Assets (Note 7)		615,010		628,379
	$	977,715	$	980,430
Liabilities				
Accounts Payable and Accrued Liabilities	$	18,888	$	31,440
Deferred Revenue (Note 8)		20,000		-
Debentures and Notes Payable (Note 9)		172,890		201,554
		211,778		232,994
Net Assets				
Net Assets at Beginning of Year		747,436		681,293
Accumulated Surplus		18,501		66,143
Net Assets at End of Year		765,937		747,436
	$	977,715	$	980,430

Contractual obligations and contingent liabilities (Notes 10 and 11)

The accompanying notes and schedules are part of these financial statements.

ALBERTA SOCIAL HOUSING CORPORATION
STATEMENT OF CASH FLOWS
Year ended March 31

	2013	2012
	(in thousands)	
Operating Transactions		
Annual surplus	$ 18,501	$ 66,143
Non-cash items included in Annual surplus		
Amortization	25,830	24,497
Capital Contributions in Kind	-	(3,770)
Gains on Disposal of Tangible Capital Assets	(1,414)	(7,054)
Losses on Disposal of Tangible Capital Assets	139	177
	43,056	79,993
Decrease (Increase) in Accounts Receivable	24,799	(44,035)
Increase in Loans and Advances	(13,497)	(240)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(12,552)	11,187
Increase in Deferred Revenue	20,000	-
Cash Provided by Operating Transactions	61,806	46,905
Capital Transactions		
Acquisition of Tangible Capital Assets	(12,648)	(28,877)
Proceeds on Disposal/Sale of Tangible Capital Assets	1,462	7,244
Cash Applied to Capital Transactions	(11,186)	(21,633)
Financing Transactions		
Repayment of Debentures and Notes Payable	(28,664)	(26,973)
Cash Applied to Financing Transactions	(28,664)	(26,973)
Increase (Decrease) in Cash and Cash Equivalents	21,956	(1,701)
Cash and Cash Equivalents at Beginning of Year	269,083	270,784
Cash and Cash Equivalents at End of Year	$ 291,039	$ 269,083

The accompanying notes and schedules are part of these financial statements.

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Social Housing Corporation (the Corporation) operates under the authority of the Alberta Housing Act, Chapter A-25, Revised Statutes of Alberta 2000. The Act is administered by the Department of Municipal Affairs.

The Corporation's primary purpose is to facilitate the provision of affordable housing options, through community management bodies, to low-income families and individuals and those with special needs, and administer seniors housing. The Corporation owns and administers the Crown's portfolio of housing assets and manages provincial debts and agreements associated with those assets. This includes administering the sale of provincially owned properties that are no longer efficient or effective for social housing programs.

The Corporation also oversees the provincial commitments and entitlements remaining from discontinued business activities such as mortgages and loan guarantees. It also directly operates and acts as the landlord for a small portion of units classified as "rural housing".

The Corporation is a crown agent of the Government of Alberta and as such has a tax exempt status.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Municipal Affairs and for which the Minister of Municipal Affairs is accountable. Other entities reporting to the Minister are the Department of Municipal Affairs and the Safety Codes Council. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenue accounting policy
All revenues are reported on the accrual basis of accounting.

Government transfers
On April 1, 2012, the Corporation adopted the PSA Handbook Section PS 3410 (Government Transfers) on a prospective basis. Transfers from the Government of Alberta and federal government are referred to as government transfers.

Government of Alberta transfers are recognized as revenue when authorized.

Federal government transfers provided to support several operating programs of the Corporation are recognized as revenue when authorized and as eligibility criteria are met. The federal government also provides up front funding to the Corporation for certain approved housing initiatives which is initially recorded as a liability. Revenue is recognized as the Corporation has met eligibility requirements. The restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

(b) Basis of Financial Reporting (Cont'd)

Expenses

Directly Incurred

Directly incurred expenses are those costs for which the Corporation has primary responsibility and accountability for, as reflected in the government's budget documents.

In addition to program operating expenses such as supplies and services, directly incurred expenses also include:

- amortization of tangible capital assets,
- debt servicing costs, and
- valuation adjustments which includes changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value.

Grant Expense

Grants are recognized as expenses when authorized, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Corporation's operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. There were no assets acquired by rights for the Corporation. Financial assets of the Corporation are limited to financial claims, such as advances to and receivables from other organizations and individuals.

Loans and advances are recorded at cost less provisions for estimated losses. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies. Loans and advances include mortgages and advances to housing providers to address short term cash flow needs for specified projects and operating pressures.

Tangible capital assets of the Corporation are recorded at historical cost and, except for land, are amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Liabilities
Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets
Net Assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net (financial) assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities
Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash and Cash Equivalents, Accounts Receivable, Loans and Advances, Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability. The fair value of long term debt is disclosed in Note 9.

Financial Instruments
On April 1, 2012, the Corporation adopted the PSA Handbook Section PS 3450 (Financial Instruments) on a prospective basis. Financial instruments consist of Accounts Receivable, Loans and Advances, Accounts Payable and Accrued Liabilities, Deferred Revenue, and Debentures and Notes Payable. They are initially recognized at cost and subsequently carried at amortized cost. Write-downs on financial assets are recognized when the amount of a loss is known with sufficient precision, and there is no reasonable expectation of recovery. The Corporation does not own any derivatives, portfolio investments or financial instruments designated in the fair value category and as such has not included a Statement of Remeasurement Gains and Losses.

Risk Management
The Corporation has minimal exposure to credit risk, liquidity risk and interest rate risk due to the nature of its operations. The primary creditors of the Corporation are the government of Alberta and the federal government. Both governments provide operational support to the Corporation, thus reducing exposure to credit risk. Liquidity risk is minimized given the cash and cash equivalent balance within the Corporation and the annual operational funding provided by the Department of Municipal Affairs for debt repayment. The Corporation has minimal exposure to interest rate risk because the interest rate is fixed for Debentures and Notes Payable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Estimates relating to the determination of the management bodies accounts receivable recorded and disclosed as $10,587 (2012 - $10,696) in these financial statements, is subject to measurement uncertainty.

NOTE 3 GOVERNMENT REORGANIZATION AND PROGRAM TRANSFER

Government Reorganization

The Seniors Lodge Assistance Program was transferred in the current fiscal year from the Department of Health to the Department of Municipal Affairs as a result of the restructuring of government departments announced on May 8, 2012 (Order in Council 155/2012 and 235/2012). The Corporation administers the Lodge Assistance Program through grants from the Department of Municipal Affairs. Comparatives for 2012 have been restated as if the Corporation had always been assigned with its current responsibilities.

Program Transfer

The Rent Supplement Program was transferred from the Department of Municipal Affairs to the Corporation effective April 1, 2012. Assistance to the Corporation to administer the Rent Supplement program is provided by the Department. Comparatives for 2012 have been restated as if the Corporation had always been assigned with these responsibilities.

There was no effect on net assets as a result of the government reorganization and program transfer.

NOTE 4 CASH AND CASH EQUIVALENTS

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality short term securities with a maximum term to maturity of three years. As at March 31, 2013, securities held by the fund have a time-weighted return of 1.25% per annum (2012: 1.29% per annum). Due to the short term nature of CCITF investments, the carrying value approximates fair value.

NOTE 5 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2013			2012
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Municipal Affairs	$ 2,045	$ -	$ 2,045	$ 48,855
Canada Mortgage and Housing Corporation	21,376	-	21,376	-
Housing Providers	10,587	-	10,587	10,696
Risk Management Insurance	12,917	-	12,917	12,957
Other	3,327	(31)	3,296	2,512
	$ 50,252	$ (31)	$ 50,221	$ 75,020

NOTE 6 LOANS AND ADVANCES

(in thousands)

	2013			2012
	Gross Amount	Allowance for Losses	Net Realizable Value	Net Realizable Value
Rural and Native [(a)]	$ 968	$ -	$ 968	$ 1,484
Housing Providers' Reserves [(b)]	5,127	-	5,127	5,128
Rent Supplement [(c)]	14,327	-	14,327	-
Other Loans and Advances	1,023	-	1,023	1,336
	$ 21,445	$ -	$ 21,445	$ 7,948

(a) Mortgages receivable provided under the Rural and Native Housing program are repayable over an amortization period of 25 years with a five-year interest renewal term.

(b) Housing Providers are provided an advance based on the number of housing units under management in order to address short term operating cash flow requirements during the year. These cash advances can be collected at any time at the discretion of the Minister. These funds are required to be replenished.

(c) Housing Management Bodies are provided an advance for approximately two months of anticipated annual operational funding requirements to administer the Rent Supplement Program. These cash advances can be collected at any time at the discretion of the Minister. These cash advances are replenished as monthly claims are processed.

NOTE 7 TANGIBLE CAPITAL ASSETS

(in thousands)

	Land	Buildings	Emergency Housing	Computer Hardware and Software	Total
Estimated Useful Life	Indefinite	10-50 years[a]	10 years	3 years	
Historical Cost[b]					
Beginning of year	$ 115,122	$ 1,117,519	$ 25,776	-	$ 1,258,417
Additions	329	8,261	288	3,770	12,648
Transfers[c]	-	3,525	(3,525)	-	-
Disposals	(48)	(566)	-	-	(614)
	$ 115,403	$ 1,128,739	$ 22,539	$ 3,770	$ 1,270,451
Accumulated Amortization					
Beginning of Year	-	628,921	1,117	-	630,038
Amortization Expense	-	23,577	2,253	-	25,830
Effect of Disposals	-	(427)	-	-	(427)
	-	652,071	3,370	-	655,441
Net Book Value at March 31, 2013	$ 115,403	$ 476,668	$ 19,169	$ 3,770	$ 615,010
Net Book Value at March 31, 2012	$ 115,122	$ 488,598	$ 24,659	-	$ 628,379

(a) Seniors and special needs buildings are amortized over 50 years, community housing buildings over 40 to 50 years, and all other buildings over 10 to 25 years.

(b) Historical cost includes work-in-progress at March 31, 2013 totalling $9,979 comprised of: buildings $6,209 (2012 - $50); and computer hardware and software $3,770 (2012 - $0).

(c) Heritage apartment building was purchased in 2011 and was used during 2011-12 for emergency housing for displaced Slave Lake residents. For 2012-13, the apartment building is to be used for social housing.

NOTE 8 DEFERRED REVENUE

(in thousands)

Deferred revenue is external capital contributions that will be recognized as revenue in future years. As of March 31, 2013, under the Canada-Alberta Agreement for Investment in Affordable Housing with Canada Mortgage and Housing Corporation (CMHC), $20,000 of the federal funding has been committed to improving and preserving the quality of Affordable Housing.

NOTE 9 DEBENTURES AND NOTES PAYABLE

(in thousands)

The Corporation's long term debt and exposure to interest rate risk are summarized as follows:

	2013	2012
Canada Mortgage and Housing Corporation [a]	$ 66,865	$ 69,011
Alberta Treasury Board and Finance [b]	106,025	132,543
	$ 172,890	$ 201,554

(a) Debentures maturing January 2023 to January 2030, with a weighted average effective rate of 9.661%.

(b) Note payable maturing September 16, 2016, with an effective rate of 5.93%.

The Province of Alberta guarantees the repayment of principal and interest on all borrowings. The debentures, including interest thereon, are repayable in equal annual or semi-annual instalments and the note payable is repayable in equal semi-annual instalments.

Approximate aggregate repayments of principal in each of the next five years are:

2014	$ 30,463
2015	32,378
2016	34,415
2017	19,588
2018	3,375
Thereafter	52,671
	$ 172,890

Long term debt has a fair value of $97,627 (2012 - $102,122) for Canada Mortgage and Housing Corporation debentures and $115,507 (2012 - $145,950) for the note payable to Alberta Treasury Board and Finance. Fair values for debt are based on the Province of Alberta's current borrowing rates which are available to the Corporation for debt with similar terms and maturities.

NOTE 10 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met. Grants for housing providers approved for future years have been included as an obligation.

	2013	2012 (Restated Note 3)
Obligations under Operating Contracts and Programs	$ 170,078	$ 179,789
Obligations under Capital Contracts	28,964	-
	$ 199,042	$ 179,789

NOTE 10 CONTRACTUAL OBLIGATIONS (Cont'd)

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations Under Operating Contracts and Programs

	Programs[(a)]	Operating Leases[(b)]	Total
2013-14	$ 13,112	$ 1,347	$ 14,459
2014-15	13,112	1,347	14,459
2015-16	13,112	1,347	14,459
2016-17	13,112	1,347	14,459
2017-18	13,112	1,347	14,459
Thereafter	68,486	29,297	97,783
	$ 134,046	$ 36,032	$ 170,078

(a) Grants committed for future years under agreement with Housing Providers that would fund operating supports and amortization costs.

(b) The Corporation leases land under various leases for the purpose of providing social housing.

Obligations Under Capital Contracts[(c)]

	Total
2013-14	$ 15,688
2014-15	7,346
2015-16	2,447
2016-17	2,311
2017-18	1,172
Thereafter	-
	$ 28,964

(c) These capital contracts are made up of grants to Housing Providers, developing an integrated information system initiative, and the Corporation's development projects and capital asset maintenance.

NOTE 11 CONTINGENT LIABILITIES

(in thousands)

The Corporation is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate.

The Corporation has been named in 5 (2012: 2) claims of which the outcome is not determinable. Of these claims, all 5 (2012: 2) have specified amounts totalling $1,011 (2012: $350). Included in the total claims, 5 claims totalling $1,011 (2012: 2 claims totalling $350) are claims in which the Corporation has been jointly named with other entities. Included in the total claims, 5 claims totalling $1,011 (2012: 2 claims totalling $350) are covered in whole or in part by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

NOTE 12 PROGRAM RECOVERIES

The Canada Mortgage and Housing Corporation (CMHC) provides contributions toward subsidies of rental properties and mortgages receivable and for certain capital costs, the administration expenses and net operating results of approved community housing projects through cost-sharing agreements. CMHC also provides contributions for net operating results of approved community, and seniors housing and rent supplement projects.

NOTE 13 HOUSING PROVIDERS

The Corporation supports the provision of seniors and community housing through housing providers. Grants are provided to cover operating support for various housing programs and are recorded as expenses. Recoveries are received from housing providers who operate with surpluses and are recorded as revenues. Costs for property insurance, amortization and interest on long term debt are incurred and recorded by the Corporation; housing providers do not incur or record these expenses.

NOTE 14 SALARIES AND BENEFITS

The Corporation has no salaries or benefits to disclose under Treasury Board Directive 12/98 as amended due to the Corporation having no employees. The Department of Municipal Affairs staff administers the Corporation, and the estimated value of these services is included in Schedules 4 and 5 as an expense incurred by others.

The Corporation did not pay honoraria to its Board members.

NOTE 15 COMPARATIVE FIGURES

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

NOTE 16 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Senior Financial Officer of the Department of Municipal Affairs and the President of the Alberta Social Housing Corporation.

Schedule 1

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
REVENUES
Year ended March 31

	2013		2012
	Budget (Schedule 3)	Actual	Actual (Restated Note 3)
		(in thousands)	
Government of Alberta Grants			
Transfers from the Department of Municipal Affairs			
Rent Supplement	$ 59,100	$ 59,100	$ 65,132
Seniors Lodges	35,720	38,042	42,359
Debt Repayment	28,664	28,664	26,973
Housing Providers	4,409	4,634	1,350
Emergency Housing	-	396	26,493
	127,893	130,836	162,307
Federal Government Grants			
Recoveries from Canada Mortgage and Housing Corporation (Note 12)			
Cost Shared Programs	68,200	58,871	57,687
Rent Supplement	12,000	12,062	11,798
	80,200	70,933	69,485
Investment Income	3,705	3,560	3,310
Other Revenue			
Gains from Disposal of Tangible Capital Assets	6,201	1,414	7,054
Recoveries from Housing Providers (Note 13)	3,000	8,496	7,933
Rental Revenues	100	1,169	1,522
Contribution from Housing Providers and Third Parties	-	-	3,770
Refunds of Expenditures	-	6,021	112
Miscellaneous	-	2	185
	9,301	17,102	20,576
Total Revenues	$ 221,099	$ 222,431	$ 255,678

ALBERTA SOCIAL HOUSING CORPORATION
EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT
Year ended March 31

	2013		2012
	Budget (Schedule 3)	Actual	Actual (Restated Note 3)
	(in thousands)		
Supplies and Services	$ 3,230	$ 7,640	$ 4,819
Grants	158,894	155,904	144,151
Debt Servicing Costs	14,120	14,100	15,855
Amortization of Tangible Capital Assets	25,967	25,830	24,497
Other	-	456	213
	$ 202,211	$ 203,930	$ 189,535

Schedule 3

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
BUDGET
Year ended March 31, 2013

	2012-13 Estimate[a]	Adjustment [b]	2012-13 Budget	Supplementary Estimate[c]	2012-13 Authorized Budget
			(in thousands)		
Revenues					
Government Transfers					
Government of Alberta Grants	$ 127,893	$ 1,125	$ 129,018	$ 530	$ 129,548
Federal Government Grants	80,200	-	80,200	-	80,200
Investment Income	3,705	-	3,705	-	3,705
Other Revenue	9,301	-	9,301	-	9,301
	221,099	1,125	222,224	530	222,754
Expenses - Directly Incurred					
Programs					
Family Housing					
Rent Supplement	71,100	-	71,100	-	71,100
Community Housing	51,904	-	51,904	-	51,904
Other Housing	70	-	70	-	70
Seniors Housing	61,578	99	61,677	530	62,207
Special Needs Housing	808	-	808	-	808
Emergency Housing	2,631	-	2,631	-	2,631
	188,091	99	188,190	530	188,720
Debt Servicing					
Interest on Debt for Social Housing	14,120	-	14,120	-	14,120
	202,211	99	202,310	530	202,840
Annual Surplus	$ 18,888	$ 1,026	$ 19,914	$ -	$ 19,914
Capital Investment	$ 58,000	$ 1,026	$ 59,026	$ -	$ 59,026

[a] The estimates were restated to reflect the government reorganization on May 8, 2012 (Order in Council 155/2012, 235/2012). The Alberta Social Housing Corporation was transferred responsibility for the administration of the Seniors Lodge Assistance Program from the Department of Health.

[b] Adjustments to the Estimates include $1,125 transfer from the Department of Municipal Affairs for emergent capital purposes. Treasury Board approval is pursuant to the Appropriation Act, 2012 section 6 (3).

[c] Supplementary Estimates were approved on March 21, 2013.

Schedule 4

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS
Year ended March 31
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the Department of Municipal Affairs.

The Corporation paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Corporation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2013	2012 (Restated Note 3)	2013	2012
Revenues				
Government of Alberta Transfers				
Department of Municipal Affairs	$ 130,836	$ 162,307	$ -	$ -
Expenses - Directly Incurred				
Risk Management and Insurance	$ -	$ -	$ 5,860	$ 1,880
Debt Servicing Costs	-	-	7,506	9,035
	$ -	$ -	$ 13,366	$ 10,915
Receivable from				
Risk Management and Insurance	$ -	$ -	$ 12,917	$ 12,957
Alberta Treasury Board and Finance	-	-	162	260
Department of Municipal Affairs	2,045	48,855	-	-
	$ 2,045	$ 48,855	$ 13,079	$ 13,217
Payable to				
Alberta Treasury Board and Finance [1]	$ -	$ -	$ 106,283	$ 132,866
Risk Management and Insurance	-	-	542	359
Department of Municipal Affairs	616	-	-	-
Alberta Infrastructure	-	-	1,004	879
	$ 616	$ -	$ 107,829	$ 134,104

[1] Debt and accrued interest on debt.

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
RELATED PARTY TRANSACTIONS

Year ended March 31

(in thousands)

The Corporation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed on Schedule 5.

	Entities in the Ministry		Other Entities	
	2013	2012	2013	2012
Expenses - Incurred by Others (Schedule 5)				
Salaries and wages	$ 6,156	$ 2,400	$ -	$ -
Supplies and services	728	666	-	-
Accommodation	-	-	731	1,310
Legal	-	-	65	102
	$ 6,884	$ 3,066	$ 796	$ 1,412

Schedule 5

ALBERTA SOCIAL HOUSING CORPORATION
SCHEDULE TO FINANCIAL STATEMENTS
ALLOCATED COSTS

Year ended March 31

(in thousands)

	2013						2012
	Directly Incurred[1]		Expenses - Incurred by others[2]				(Restated Note 3)
Program	Expenses	Debt Servicing Costs	Other Services[3]	Accommodation Costs	Legal Services	Total Expenses	Total Expenses
Rent Supplement	$ 66,122	$ -	$ 38	$ 4	$ 22	$ 66,186	$ 58,954
Community Housing	60,699	6,878	2,116	225	$ 21	69,939	57,861
Seniors Housing	60,559	7,219	4,609	489	$ 21	72,897	75,795
Emergency Housing	2,253	-	-	-	$ 1	2,254	1,254
Other Housing	197	3	121	13	-	334	149
	$ 189,830	$ 14,100	$ 6,884	$ 731	$ 65	$ 211,610	$ 194,013

[1] Expenses - Directly Incurred as per Statement of Operations.

[2] Costs shown for Expenses - Directly Incurred by Others are as disclosed in Schedule 4.

[3] Other Services includes salaries and wages, and supplies and services.

Financial Statements of

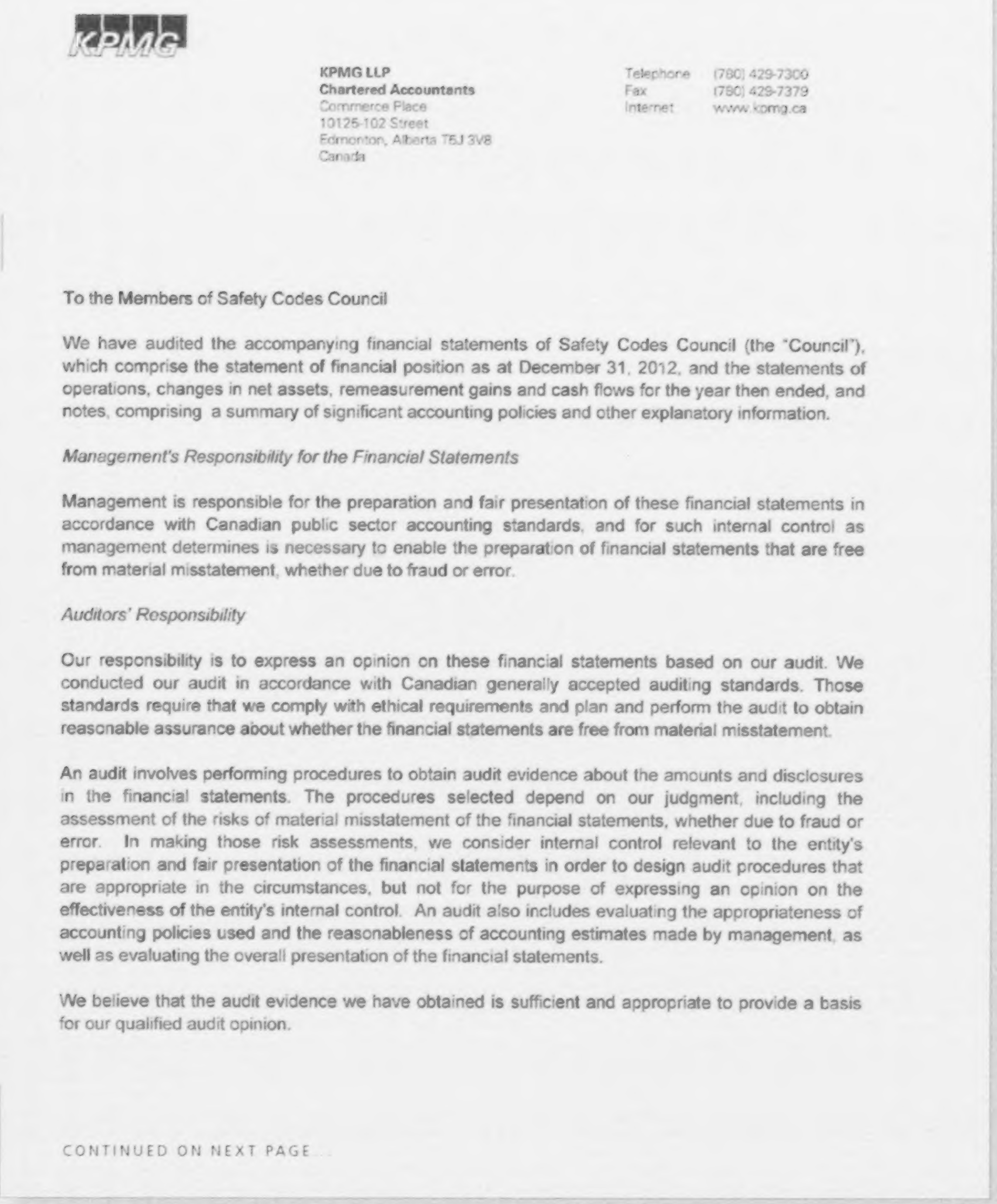
SAFETY CODES COUNCIL

Year ended December 31, 2012

Financial Statements

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Remeasurement Gains
- Statement of Cash Flow
- Notes to Financial Statements

Independent Auditor's Report



KPMG
KPMG LLP
Chartered Accountants
Commerce Place
10125-102 Street
Edmonton, Alberta T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

To the Members of Safety Codes Council

We have audited the accompanying financial statements of Safety Codes Council (the "Council"), which comprise the statement of financial position as at December 31, 2012, and the statements of operations, changes in net assets, remeasurement gains and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for Qualified Opinion

Operating fees received from municipalities and agencies are collected on behalf of the Council, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of operating fees revenue from municipalities and agencies was limited to the amounts recorded in the records of the Council and we were not able to determine whether any adjustments might be necessary to operating fees revenue, excess of revenues over expenses, accounts receivable and unrestricted net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2012, and the results of its operations, changes in net assets, remeasurement gains and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by KPMG, LLP]

Chartered Accountants

April 5, 2013
Edmonton, Canada

SAFETY CODES COUNCIL
Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	$ 269,631	$ 452,336
Accounts receivable	473,760	489,554
Prepaid expenses and deposits	121,134	118,377
	864,525	1,060,267
Investments (note 2)	5,715,054	4,474,585
Capital assets (note 3)	1,096,396	1,110,489
	$ 7,675,975	$ 6,645,341
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 422,198	$ 475,193
Grants repayable (note 4)	74,438	140,594
Deferred revenue (note 4)	185,638	329,439
Current portion of deferred lease inducement	6,491	6,491
	688,765	951,717
Deferred lease inducement	26,507	32,998
Net assets:		
Unrestricted	2,676,050	1,429,400
Internally restricted (note 5)	3,000,000	3,000,000
Invested in capital assets	1,096,396	1,110,489
	6,772,446	5,539,889
Accumulated remeasurement gains	188,257	120,737
	6,960,703	5,660,626
Commitments (note 6)		
	$ 7,675,975	$ 6,645,341

See accompanying notes to financial statements.

On behalf of the Council:

Member RHNoonan Member

Member

SAFETY CODES COUNCIL

Statement of Operations

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Revenues:		
Operating fees:		
Municipalities and agencies	$ 5,379,842	$ 4,261,031
Corporations	942,000	409,920
Grants (note 4)	78,498	369,584
Course and exam fees (note 4)	415,522	371,853
Investment income	184,786	104,091
Master Electricians Program certification fees	215,043	149,915
Certification (note 4)	63,229	50,326
Annual conference	21,745	43,827
Other revenues and recoveries	38,140	27,551
Application development	84,950	24,277
Designation of powers	17,825	20,275
Appeals	5,000	9,000
Accreditation	3,900	4,500
	7,450,480	5,846,150
Expenses:		
Salaries and benefits	3,622,426	3,003,647
Office rental	486,949	374,461
Contractors and consultants	434,400	277,412
Amortization of capital assets	231,420	164,423
Annual conference	194,043	198,707
Electronic business solutions	173,559	113,574
Travel (note 7)	163,435	101,769
Office and general	149,706	120,903
Publications	123,731	105,240
Appeals	99,178	100,041
Course and seminar costs	98,577	168,499
Abandonment of application development project	91,386	-
Meetings	59,857	67,095
New course development	57,358	60,241
Honoraria (note 7)	47,810	31,375
Bank and investment service charges	43,458	30,585
Professional fees	42,694	63,314
Insurance	36,454	38,867
Consulting fees	20,064	15,968
New course version	18,717	122,168
Special training programs	13,065	58,324
Loss on disposal of capital assets	3,842	7,549
Corporate memberships	3,274	4,884
Test bank validations	1,569	7,971
Code update training	951	150
Electronic conversion	-	4,725
	6,217,923	5,241,892
Excess of revenues over expenses	$ 1,232,557	$ 604,258

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 2012, with comparative figures for 2011

	Unrestricted	Internally restricted	Invested in capital assets	2012 Total	2011 Total
Balance, beginning of year	$ 1,429,400	$ 3,000,000	$ 1,110,489	$ 5,539,889	$ 4,935,631
Excess (deficiency) of revenues over expenses	1,467,819	-	(235,262)	1,232,557	604,258
Investment in capital assets, net	(221,169)	-	221,169	-	-
Balance, end of year	$ 2,676,050	$ 3,000,000	$ 1,096,396	$ 6,772,446	$ 5,539,889

Statement of Remeasurement Gains

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Accumulated remeasurement gains, beginning of year	$ 120,737	$ -
Change in unrealized gains attributable to investments	67,520	120,737
Accumulated remeasurement gains, end of year	$ 188,257	$ 120,737

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Cash Flow

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	$ 1,232,557	$ 604,258
Item not involving cash:		
Amortization of capital assets	231,420	164,423
Loss on disposal of capital assets	3,842	7,549
Amortization of deferred lease inducement	(6,491)	(6,491)
Changes in non-cash operating working capital:		
Accounts receivable	15,794	(48,854)
Prepaid expenses and deposits	(2,757)	4,851
Accounts payable and accrued liabilities	(52,995)	247,068
Grants repayable	(66,156)	140,594
Deferred revenue	(143,801)	(497,428)
	1,211,413	615,970
Capital activities:		
Purchase of capital assets	(221,169)	(498,884)
Investing activities:		
Reinvested net investment income from investments	(182,949)	(102,577)
Purchase of investments	(1,025,000)	(495,000)
Proceeds from disposition of investments	35,000	180,000
	(1,172,949)	(417,577)
Decrease in cash	(182,705)	(300,491)
Cash, beginning of year	452,336	752,827
Cash, end of year	$ 269,631	$ 452,336
Supplemental cash flow information:		
Bank and investment service charges paid	$ 43,485	$ 30,585

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Notes to Financial Statements

Year ended December 31, 2012

The Safety Codes Council (the "Council") is a corporation established under the Safety Codes Act of the Province of Alberta (Revised Statutes of Alberta 2000, Chapter S-1). The industry-based Council is comprised of a Council Chair, a Coordinating Committee, a Technical Coordinating Committee and Sub-councils in the following areas: amusement rides, boilers and pressure vessels, buildings, electrical, elevators, fire, gas, plumbing, barrier free and passenger ropeways.

The Council is responsible for reviewing, formulating and managing significant components of the administration of Alberta's safety system. The Council's mandate is to:

- develop and recommend safety codes and standards;
- promote uniform safety standards and practices;
- develop and administer a program to certify and designate Safety Codes Officers;
- develop and administer a program to accredit safety system partners;
- administer appeals for certification, accreditation and orders issued under the Safety Codes Act;
- administer the Master Electricians' program;
- establish and operate safety information and training programs;
- develop and administer a province wide electronic permitting system for use by accredited entities administering the Safety Codes Act; and
- engage in any other activities as directed by the Minister responsible for the Safety Codes Act.

1. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian public sector accounting standards. As a government not-for-profit organization, the Council has elected to follow the standards for not-for-profit organizations in the CICA Public Sector Accounting Handbook. The Council's significant accounting policies are as follows:

(a) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Other revenues including operating fees from municipalities and agencies, corporations, courses and exams, Master Electrician Program certification fees, certification, annual conference, designation of powers, appeals and accreditation are recorded as they are earned. Other revenues that relate to future years are reflected as deferred revenue.

(b) Capital assets:

Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	30%
Leasehold improvements	Straight line	Over lease term

Copyrights are not amortized.

(c) Deferred lease inducement:

Deferred lease inducement represents the unamortized value of an inducement received when the Council entered into a lease arrangement for the rental of office space. Amortization is provided on a straight-line basis over the term of the related lease as a reduction in office rent.

(d) Contributed services:

Contributed supplies and services that would otherwise have been purchased are recorded as contributions and expenses. Such transactions are measured at the fair value at the date of contribution, when a fair value can be reasonably determined.

1. Significant accounting policies (continued):

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial instruments are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gains and losses are reversed and recognized in the statement of operations.

Public Sector Accounting Standards require the Council to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2012

1. **Significant accounting policies (continued):**

   (f) Use of estimates:

   The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

2. **Investments:**

	Level	2012	2011
Cash and money market securities	1	$ 494,723	$ 337,502
Federal and provincial government bonds, with effective interest rates from 1.90 % to 4.87% (2011 - 3.90% to 4.10%) and maturity dates up to 2021	2	950,389	1,476,735
Corporate bonds, debentures, and coupons, with stated interest rates of 3.03% to 6.17% (2011 - 4.03% to 6.17%) with maturity dates up to 2023	2	2,769,996	1,749,884
Corporate cumulative and non-cumulative preferred shares, with stated interest rates of 4.0% to 4.6% (2011 - 4.20% to 5.35%)	2	281,660	336,690
Canadian common shares	1	1,218,286	573,774
		$ 5,715,054	$ 4,474,585

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2012

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3. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 291,173	$ 166,540	$ 124,633	$ 76,879
Equipment	48,799	30,848	17,951	21,909
Computer hardware	400,254	254,303	145,951	131,218
Computer software	270,018	160,568	109,450	87,697
Leasehold improvements	1,024,337	337,693	686,644	781,019
Copyright	11,767	-	11,767	11,767
	$ 2,046,348	$ 949,952	$ 1,096,396	$ 1,110,489

4. Deferred revenue:

	Deferred revenue, beginning of year	Amounts received / receivable	Revenue recognized, net	Amounts repaid / repayable	Deferred revenue, end of year
Grants					
Information technology	$ 106,472	$ 1,463	$ (12,151)	$ (48,129)	$ 47,655
e-Site enhancement	91,552	1,104	(66,347)	(26,309)	-
	198,024	2,567	(78,498)	(74,438)	47,655
Other amounts					
Course and exam fees	23,109	409,325	(415,552)	-	16,882
Certification	108,306	76,024	(63,229)	-	121,101
	$ 329,439	$ 487,916	$ (557,279)	$ (74,438)	$ 185,638

4. Deferred revenue (continued):

Information Technology

On July 18, 2008, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an enhancement upgrade to e-Site. The grant specified four deliverables to establish 1) An IT system in e-Site for Development Permits, 2) An IT system in e-Site for Orders and Variances external data entry, 3) An IT system in e-Site for Underground Petroleum Tank site Remediation (PTRP) and 4) Establish an IT system in e-Site for Municipal Monitoring. The IT in Support of the Safety System project has a total proposed budget of $182,400 to be funded by the Province of Alberta. The grant agreement initially expired on April 30, 2009. The Minister of Municipal Affairs agreed to extend the project completion date to December 31, 2012. Items 1 through 3 above expired on December 31, 2012 accounting for a grant repayable of $48,128. Item 4, through approval of the Minister of Municipal Affairs, was repurposed and extended to a completion date of June 30, 2014. To December 31, 2012, total eligible expenditures incurred under the amended agreements were $85,220 (2011 - $73,069).

e-Site Enhancement

On April 21, 2010, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an enhancement upgrade to e-Site. The e-Site Enhancement project has a total proposed budget of $210,000, to be funded with $200,000 by the Province of Alberta and the remainder to be provided by the Council. The grant agreement initially expired on December 31, 2011. The Minister of Municipal Affairs agreed to extend the project completion date to December 31, 2012. To December 31, 2012, total eligible expenditures incurred under the agreement were $178,258 (2011 - $111,911).

5. Internally restricted net assets:

The Council maintains internally restricted net assets in the amount of $3,000,000 to manage sustainability risk over the medium term. Access to the restricted net assets is granted by resolution of the Coordinating Committee.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2012

6. Commitments:

The Council is committed under an operating lease for its office premises which expires April 30, 2018. The Council also leases photocopiers and a postage machine with related service contracts, expiring March 2014 and August 2015.

2013	$ 262,662
2014	267,626
2015	264,166
2016	260,964
2017	260,964
Thereafter	86,988
	$ 1,403,370

The Council is also responsible for their share of operating costs related to the office premises lease.

7. Remuneration and other costs disclosure:

Coordinating Committee members are remunerated by the schedules as set out by Order in Council 466/2007. Remuneration is comprised of $47,810 (2011 - $31,375) included in honoraria expense. Other costs consist of travel and accommodation related to meetings attendance which are included in travel expense.

	2012	2011
Coordinating Committee members:		
Remuneration	$ 47,810	$ 31,375
Other	21,677	10,598
	$ 69,487	$ 41,973

8. Related party transactions:

Transactions with Alberta Municipal Affairs are considered to be in the normal course of operations. Amounts due to Alberta Municipal Affairs and the recorded amounts of the transactions are included with these financial statements unless otherwise stated.

The balance of grants repayable on the statement of financial position is due to Alberta Municipal Affairs. Grant revenue of $78,498 (2011 - $369,584) on the statement of operations is from an Alberta Municipal Affairs grant.

Alberta Municipal Affairs currently provides certain services to the Council including a monitoring service of accredited entities as part of the Municipal Support Program, at no cost. As a result of the difficulty in determining the fair value of these services, contributed services are not recognized in the financial statements.

9. Financial risks and concentration of credit risk:

The Council is exposed to a number of different financial risks arising from its use of financial instruments, including market price risk, liquidity risk, credit risk and interest rate risk. The Council's overall risk management processes are designed to identify, manage and mitigate business risk.

Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Council's investments are carried at fair value with fair value changes recognized in the statement of operations, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Council through construction of a diversified portfolio of instruments traded on various markets and across various industries.

The Council's investments in equities are also sensitive to market fluctuations. An immediate hypothetical decline of 10% in equity values will impact the Council's equity investments by an approximate loss of $121,829 (2011 - $57,378).

9. Financial risks and concentration of credit risk (continued):

Liquidity risk

Liquidity risk is both the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities, and there will be no ability to sell its financial instruments should it wish to do so.

The Council's Investment Policy, which is reviewed and approved by the Coordinating Committee annually, establishes the nature of acceptable investments for its portfolio. As a result, 100% of the Council's investments are in liquid securities traded in public markets. Although market events could lead to some investments becoming illiquid, the diversity and quality of the Council's portfolio is designed to ensure that liquidity is available to pay liabilities as they come due. The Council also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

Further, investments are structured with varying maturity dates and payment frequencies. At December 31, 2012, the Council had cash on hand in the amount of $269,631 (2011 - $452,336). The following table summarizes mix of contractual maturities of all financial assets at December 31 by the earlier of contractual repricing or maturity dates:

	2012	2011
Less than one year	56%	38%
1 - 5 years	18%	18%
More than 5 years	26%	44%

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Council. In relation to the Council activities, credit risk arises from the issuance of permits by accredited third-parties and subsequent remittance of levies to the Council. This risk is mitigated through the Council's ongoing due diligence of accredited organizations, and the number of accredited organizations issuing permits. In relation to the Council's investment portfolio, credit risk arises from the bond or equity issuer defaulting on its obligations.

9. Financial risks and concentration of credit risk (continued):

Credit risk (continued)

The Council manages credit risk by investing in securities with ratings of AA or higher and diversifying its investment portfolio to reduce the risk to an acceptable level. Cash is held with reputable financial institutions and accounts receivable are with counterparties that the Council believes to be reputable entities. No individual financial asset is significant to the Council's operations.

Interest rate risk

Interest rate risk is the risk that the market value of the Council's investments will fluctuate due to changes in market interest rates. To properly manage the Council's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Council's investments in fixed income are sensitive to interest rate movements. An immediate hypothetical 100 basis point or 1% increase in interest rates, with all other variables held constant, would impact fixed income investments by an estimated loss of $209,066 (2011 - $230,330).

10. Subsequent events:

Subsequent to year end, the Council applied for and obtained a one-time conditional grant from Alberta Municipal Affairs. The grant provides for $150,000 to conduct initial due diligence to investigate the feasibility of establishing an independent business unit to manage and administer safety codes services in unaccredited areas of the Province of Alberta. Should the initial study demonstrate that the operation would generate sufficient revenue to ensure financial viability and sustainability, the next stage of the grant would provide $1,350,000 to establish the business unit.

Improvement Districts' Trust Account
Summary Statement of Revenue and Expenditures
For the year ended December 31, 2012
(Unaudited)

	Improvement Districts							
	4 (Waterton)	9 (Banff)	12 (Jasper)	13 (Elk Island)	24 (Wood Buffalo)	Kananaskis [a]	349 [b]	Total
Assets	$ 1,101,277	$ 10,075,744	$ 651,732	$ 854,111	$ 166,672	$ 4,377,186	$ 2,001,313	$ 19,228,035
Liabilities	587,227	4,136,948	253,221	633,134	150,697	1,247,779	225,202	7,234,208
Net assets	$ 514,050	$ 5,938,796	$ 398,511	$ 220,977	$ 15,975	$ 3,129,407	$ 1,776,111	$ 11,993,827
Revenues	$ 675,254	$ 1,889,768	$ 452,878	$ 517,310	$ 452,148	$ 1,696,333	$ 17,667,550	$ 23,351,241
Expenditures	982,918	1,429,202	426,977	498,061	448,507	1,504,883	15,891,439	21,181,987
Excess / (Deficiency) of revenue over expenditure	$ (307,664)	$ 460,566	$ 25,901	$ 19,249	$ 3,641	$ 191,450	$ 1,776,111	$ 2,169,254

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[a] Ministerial Order No. L:131/08 delegated the administration of the Kananaskis Improvement District to the Minister of Tourism, Parks and Recreation.

[b] Improvement District No. 349 was formed by Order in Council 419/2011 effective January 1, 2012.

Improvement Districts' Trust Account
Detailed Statement of Revenue and Expenditures
For the year ended December 31, 2012
(Unaudited)

	Improvement Districts							
	4	9	12	13	24	Kananaskis	349	Total
REVENUES								
General Municipal:								
Taxation								
Real property	$ 391,919	$ 2,113,204	$ 35,227	$ 4,383	$ 6,217	$ 1,111,714	$ 1,739,040	$ 5,401,704
Federal grants	112,443	925,000	47,342	31,384	17,130	10,627	45,621	1,189,547
Provincial grants	-	-	-	-	-	102,562	-	102,562
Power and pipeline	3,369	104,078	120,484	7,273	3,715	370,029	11,114,804	11,723,752
Machinery and equipment	-	-	-	-	-	-	7,900,642	7,900,642
Penalties and costs	4,317	23,649	610	-	468	33,829	394	63,267
	512,048	3,165,931	203,663	43,040	27,530	1,628,761	20,800,501	26,381,474
Less payment of requisitions to:								
Alberta School Foundation Fund	295,920	1,538,267	129,669	17,272	9,628	599,355	2,753,385	5,343,496
Seniors Foundation	-	76,497	6,798	-	-	26,602	453,484	563,381
	295,920	1,614,764	136,467	17,272	9,628	625,957	3,206,869	5,906,877
General municipal taxes	216,128	1,551,167	67,196	25,768	17,902	1,002,804	17,593,632	20,474,597
Government transfers	455,773	181,640	380,355	488,318	434,080	32,039	-	1,972,205
Interest	3,253	56,559	5,322	3,224	166	21,499	73,918	163,941
Utility Services	-	-	-	-	-	523,545	-	523,545
Other	100	100,402	5	-	-	116,446	-	216,953
	675,254	1,889,768	452,878	517,310	452,148	1,696,333	17,667,550	23,351,241
EXPENDITURES								
General Municipal:								
Administrative services	54,935	149,647	23,367	1,658	2,386	194,789	172,665	599,447
Protective services	-	704,883	20,970	-	-	625,363	-	1,351,216
Transportation services	-	-	-	-	-	106,353	-	106,353
Assessment fees	8,024	29,809	11,545	8,085	12,041	-	118,774	188,278
Grants	-	-	371,028	488,318	434,080	-	15,600,000	16,893,426
Recreation and cultural services	756,744	417,531	-	-	-	-	-	1,174,275
Utilities	750	17,076	-	-	-	63,299	-	81,125
Honorarium	10,700	52,650	-	-	-	8,159	-	71,509
Garbage collection and disposal	-	-	-	-	-	371,219	-	371,219
Interest	4,825	-	-	-	-	-	-	4,825
Amortization	115,370	55,261	-	-	-	125,398	-	296,029
Other expenditures	31,570	2,345	67	-	-	10,303	-	44,285
	982,918	1,429,202	426,977	498,061	448,507	1,504,883	15,891,439	21,181,987
Excess / (Deficiency) of revenue over expenditure	$ (307,664)	$ 460,566	$ 25,901	$ 19,249	$ 3,641	$ 191,450	$ 1,776,111	$ 2,169,254

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2012

Independent Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes of Net Financial Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Investments

Schedule of Salaries and Benefits

Supplementary Net Financial Asset Information Schedule

Supplementary Unrestricted Accumulated Surplus Information Schedule

Schedule of Segment Expenditure Disclosure by Object

Independent Auditor's Report

AUDITOR
GENERAL
Alberta

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Special Areas Trust Account, which comprise the statement of financial position as at December 31, 2012, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

March 26, 2013

Edmonton, Alberta

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	2012	2011
Financial Assets		
Cash (Note 3)	$ 37,238,344	$ 33,273,975
Accounts receivable (Note 4)	5,727,511	4,167,871
Notes receivable (Note 5)	18,417,718	20,832,968
Due from Province of Alberta (Note 6)	1,049,201	78,368
Taxes receivable (Note 7)	94,186	593,903
	62,526,960	58,947,085
Investments (Schedule 1)	26,234,975	25,257,363
Total Financial Assets	88,761,935	84,204,448
Liabilities		
Accounts payable and accruals	4,010,389	2,051,890
Deferred revenues	349,045	248,753
Deferred provincial grant revenue (Note 8)	1,187,813	168,652
Deferred federal grant revenue	263,547	-
Due to Province of Alberta (Note 6)	402,657	281,646
	6,213,451	2,750,941
Long-term debt (Note 9)	20,292,461	23,673,151
Provision for gravel pit reclamation (Note 10)	2,359,000	2,110,000
Total Liabilities	28,864,912	28,534,092
Net Financial Assets (Schedule 3)	59,897,023	55,670,356
Non-financial assets (Note 11)		
Prepaid assets	85,685	544,134
Tangible capital assets	184,748,625	169,777,089
Inventories	6,243,586	5,158,091
	191,077,896	175,479,314
Accumulated Surplus (Note 12)	**$ 250,974,919**	**$ 231,149,670**

Commitments (Note 22)

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012		2011
	BUDGET (Note 13) (Unaudited)	ACTUAL	ACTUAL
Revenues			
Taxation			
Power and pipeline	$ 32,433,350	$ 32,822,424	$ 32,079,813
Real property	10,156,500	10,316,284	10,044,504
Grazing and cultivation	766,000	730,278	757,640
Penalties and costs on taxes	75,000	218,280	126,619
	43,430,850	44,087,266	43,008,576
Less requisitions (Note 14)	(16,406,100)	(16,690,674)	(16,406,332)
Net taxes for municipal purposes	**27,024,750**	**27,396,592**	**26,602,244**
Leases (Note 15)	15,655,335	11,538,204	10,188,929
Government transfers for operating (Note 16)	6,146,933	5,624,894	6,096,824
Government transfers for capital (Note 16)	1,863,547	2,594,000	2,019,088
Interest	1,885,974	1,887,774	2,105,141
Tax recovery land sales	575,000	1,108,827	380,597
Contributed assets (Note 17)	-	797,239	-
Other	2,019,047	1,945,785	2,880,421
Total revenues	**55,170,586**	**52,893,315**	**50,273,244**
Expenses			
Transportation services	26,108,645	13,387,255	19,459,220
Administrative services	5,041,808	5,233,477	4,358,218
Recreational and cultural services	2,490,964	2,232,242	2,748,807
Water and sanitation services	3,934,451	2,276,827	2,379,789
Agriculture and community development	2,432,112	2,175,731	2,176,766
Protective services	778,598	943,742	894,523
Industrial tax transfers	210,000	220,665	219,726
Loss on sale of capital assets	-	237,901	376,335
Amortization	-	6,360,226	5,476,525
Total expenses (Note 18)	**40,996,578**	**33,068,066**	**38,089,909**
Excess of revenues over expenses	**$ 14,174,008**	**$ 19,825,249**	**$ 12,183,335**
Accumulated surplus at beginning of year	231,149,670	231,149,670	218,966,335
Accumulated surplus at end of year	**$ 245,323,678**	**$ 250,974,919**	**$ 231,149,670**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2012

	2012		2011
	BUDGET (Note 13) (Unaudited)	ACTUAL	ACTUAL
Excess of revenue over expenses	$ 14,174,008	$ 19,825,249	$ 12,183,335
Acquisition of tangible capital assets	(14,115,650)	(22,196,456)	(17,832,361)
Loss on sale of tangible capital assets	-	237,901	376,335
Net transfers to capital	(1,024,000)	-	-
Proceeds on disposal of tangible capital assets	504,000	626,793	952,817
Amortization of tangible capital assets	-	6,360,226	5,476,525
Use (acquisition) of prepaid assets	-	458,449	(413,404)
Change in inventory	-	(1,085,495)	211,773
Increase in net financial assets	(461,642)	4,226,667	955,020
Net financial assets, beginning of year	55,670,356	55,670,356	54,715,336
Net financial assets, end of year	**$ 55,208,714**	**$ 59,897,023**	**$ 55,670,356**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
Operating activities:		
Excess of revenue over expenses	$ 19,825,249	$ 12,183,335
Amortization of investment premiums, less discounts	168,366	136,366
Gain on sale of investments	(83,872)	(127,462)
Amortization of tangible capital assets	6,360,226	5,476,525
Amortization relating to self-constructed assets	(1,482,819)	(1,193,320)
Contributed assets	(797,239)	-
Loss on sale of tangible capital assets	237,901	376,335
Increase in provision for gravel pit reclamation	249,000	210,000
	24,476,812	17,061,779
Changes in non-cash operating items:		
Prepaid assets and accounts receivable	(1,101,191)	198,615
Due from Province of Alberta	(970,833)	2,008,930
Taxes receivable	499,717	685,284
Accounts payable and accruals	1,958,499	(35,044)
Deferred revenues	100,292	(116,900)
Deferred government grant revenue	1,282,708	(172,599)
Due to Province of Alberta	121,011	(100,352)
Inventory	(1,085,495)	211,773
	804,708	2,679,707
Cash provided by operating activities	25,281,520	19,741,486
Capital activities:		
Proceeds of sale of tangible capital assets	626,793	952,817
Purchase of tangible capital assets	(19,916,398)	(16,639,041)
Cash applied to capital activities	(19,289,605)	(15,686,224)
Investing activities:		
Net change in notes receivable	2,415,250	(1,804,293)
Proceeds from redemption of investments	17,035,356	7,438,179
Purchase of investments	(18,097,462)	(7,045,926)
Cash provided by (applied to) investing activities	1,353,144	(1,412,040)
Financing activities:		
Long term debt issued	-	6,564,161
Long term debt repaid	(3,380,690)	(2,044,085)
Cash (applied to) provided by financing activities	(3,380,690)	4,520,076
Increase in cash	3,964,369	7,163,298
Cash at the beginning of year	33,273,975	26,110,677
Cash at end of year	**$ 37,238,344**	**$ 33,273,975**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 1 Authority and Purpose

The Special Areas Trust Account operates under the authority of the *Special Areas Act*, Revised Statutes of Alberta 2000, chapter S-16. The Special Areas Trust Account is held by the Special Areas Board, an agent of the Crown in right of Alberta, and as such, has a tax exempt status.

The Special Areas Board ("the Board") is appointed by the Lieutenant Governor in Council. The Board provides municipal services and long-term land resource management.

Note 2 Significant Accounting Policies

(a) General

These financial statements are the representations of management, and have been prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Revenue resulting from mineral surface leases are first recognized on the initial agreement date and then on the anniversary date each year thereafter. All other leases are recognized as earned on an annual basis (e.g. cultivation, grazing, etc.) and are due and payable at the beginning of the year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 2 (c) Land

(cont'd)

Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the Statements of Financial Position. Approximately 1.030 million acres of tax recovery land remains unsold as at December 31, 2012 (2011 - 1.044 million acres).

Crown land transferred to the Province of Alberta from the Government of Canada for no monetary consideration, located within the Special Areas and administered by the Board, is not valued for financial statement purposes. This consists of approximately 1.576 million acres (2011 - 1.575 million acres).

Road infrastructure land right of ways, located within the Special Areas and administered by the Board, were transferred to the Province of Alberta from the Government of Canada for no monetary consideration. The Board has also acquired additional right of way for road widening purposes for insignificant amounts. As at December 31, 2012, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2011 - 0.012 million acres) and are not recorded in the Statements of Financial Position.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts receivable, gravel inventory, gravel pit reclamation, and both current and prior years tangible capital asset historical costs and related amortization. A significant component of these tangible capital asset costs are self constructed and their cost is measured by the use of equipment rates which are approximations of actual costs incurred. Actual results could differ from management's best estimates as additional information becomes available.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 2 (e) Financial Instruments

(cont'd)

The carrying value of cash, current accounts receivable, current notes receivable, taxes receivable, amounts due to / from Province of Alberta, current debt, accounts payable and accruals approximate fair value due to the short-term nature of these items.

All non-current receivables and long-term debt are a result of binding contractual agreements. The carrying value of these non-current accounts approximate their fair value.

The fair value of investments are disclosed on Schedule 1.

(f) Requisition over/under levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) Investments

Investments are valued at cost adjusted for the applicable amortization of discount or premium using the straight-line method over the period to maturity. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(h) Pensions

The Board participates in two multi-employer defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Board accounts for its participation in these plans on a defined contribution basis. Pension costs included in these statements comprise of the cost of employer contributions for current service of employees during the year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 2 (cont'd)

(i) Non-financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Inventories

Inventories are valued at the lower of cost or net replacement value. Costs for all inventories are determined by using the first-in-first-out method with the exception of parts which are valued by using the average costing method.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Tangible Capital Assets

Tangible capital assets consist of engineering structures, roads, buildings, vehicles, equipment, land, water/wastewater utilities and dams.

For the purposes of the Board, tangible capital assets having an original cost greater than $2,500 ($10,000 for engineered structures and third party software development) and a useful life greater than one year are shown on the statement of financial position as non-financial assets at net book value. Purchased land and other off the shelf electronic data processing equipment are all capitalized.

The Board in its provision of transportation services, undertakes using its own forces, a significant amount of construction activity consisting of road building and road resurfacing. These activities are considered to be capital in nature as they result in the construction of tangible capital assets. Thus the expenditures made for direct manpower, materials and indirect equipment costs relating to these activities are removed from operational expenditures to reflect the capital component of the assets being self-constructed. An hourly equipment rate is used to estimate the actual indirect equipment cost, including amortization, and is the basis for allocating these costs to the road construction projects. Annually, the total estimated equipment costs included in the road construction projects is compared to actual equipment costs incurred.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 2 (i) Non-financial Assets

(cont'd) Tangible capital assets are recorded at cost, net of asset disposals, write-downs and amortization.

The cost of tangible capital assets shown on the statement of financial position is amortized to estimated salvage value in a manner that reflects the consumption of their future economic benefits at the following rates (rates and values expressed as a percentage of original cost):

	Annual Amortization			Estimated Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
	%	%	%	%
Mobile equipment	5.00	5.00	5.00	5.00
Buildings	2.50	2.50	2.50	2.50
Engineered structures	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equip.	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	0.00
- Software	25.00	25.00	25.00	0.00
Road infrastructure	0.25 to 10.00	0.25 to 10.00	0.25 to 10.00	30.00 to 90.00
Water/wastewater lines	2.50	2.50	2.50	0.00
Dams	2.50	2.50	2.50	0.00

The portion of the cost of purchased land attributed to the value of gravel situated on the land, is amortized at the rate at which the gravel is excavated.

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

Note 3 Cash

Cash includes funds held in the Consolidated Cash Investment Trust Fund of the Province of Alberta which is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term cashable fixed income securities with a maximum term-to-maturity of three years. As at December 31, 2012, securities held by the Fund had an average effective yield of 1.23% per annum (2011 - 1.27% per annum).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of $46,070 (2011 - $46,220), are comprised of the following:

	2012	2011
Current:		
From sale of tax recovery land and related mineral surface leases	$ 375,740	$ 408,209
Accrued interest	38,799	39,579
	414,539	447,788
Equipment rentals	2,621,925	515,091
Leases	119,086	628,578
Accrued interest on investments	100,709	95,878
Local improvement recoveries	86,304	58,744
Oil well drilling	73,058	28,930
Parks permit receivable	64,756	-
High speed wireless	39,565	71,701
Miscellaneous	193,094	324,252
	$ 3,713,036	$ 2,170,962
Non-current:		
From sale of tax recovery land and related mineral surface leases	$ 1,362,112	$ 1,570,244
High speed wireless	356,088	356,174
Miscellaneous	296,275	70,491
	$ 2,014,475	$ 1,996,909
	$ 5,727,511	$ 4,167,871

Payment for tax recovery land sold and for the sales of related mineral surface leases may be made in installments over a period not exceeding ten years. An interest rate of 8% per annum is applied to tax recovery land sale II and 6% per annum to tax recovery land sale III that commenced in 2004. Title to tax recovery land sold (and related leases sold) is transferred from the Minister of Municipal Affairs to the purchaser after all payments have been received. If a purchaser defaults in payment, the agreement(s) for sale may be declared null and void and all monies received may be retained as liquidated damages.

The high speed wireless receivable is a result of the Board entering into a memorandum of agreement with an internet service provider to facilitate the delivery of high-speed internet to residents of the Special Areas. Certain equipment was offered for sale by the Board to the internet service provider at the Board's cost. Repayment terms will be based on network usage and a promissory note that will be signed upon completion of the joint project.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	2012	2011
Current:		
Acadia Foundation	$ 2,214,013	$ 2,135,122
Acadia Foundation - accrued interest	29,169	32,980
	2,243,182	2,168,102
Neutral Hills Child Care Society	250,000	-
Village of Consort	-	500,000
Other	-	8,459
	$ 2,493,182	$ 2,676,561
Non-current:		
Acadia Foundation	$ 15,901,098	$ 18,115,110
Other	23,438	41,297
	$ 15,924,536	$ 18,156,407
	$ 18,417,718	$ 20,832,968

The Acadia Foundation loan is a result of the Board entering into a memorandum of understanding with the other municipal members of the Acadia Foundation to borrow on behalf of the Acadia Foundation from the Alberta Capital Finance Authority. These funds are then advanced to the Acadia Foundation for the construction and renovation of the seniors lodges in Oyen, Consort and Hanna. Repayment is based on the issuance of unsecured interest bearing promissory notes of either 10 or 25 year terms with respective interest rates ranging from 3.14% to 5.00% (2011 - 3.14% to 5.00%). Semi-annual payments totaling $2,859,730 (2011 - $2,676,202) were made in June and December. Interest revenue recognized as a result of this loan in 2012 was $721,183 (2011 - $743,982).

The Neutral Hills Child Care Society loan is a result of the board entering into a memorandum of understanding with the Neutral Hills Child Care Society to advance the Society funds to complete a new daycare building in Consort. The loan is interest free until the building is complete and the society is operational; at this time, terms of repayment will then be negotiated.

Principal repayments on long-term receivable are estimated as follows:

2014	$ 2,304,088
2015	2,390,059
2016	2,474,799
2017	2,560,281
Thereafter	6,195,309
	$ 15,924,536

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 6 Due (to) from Province of Alberta

The net amount due (to) from the Province of Alberta is comprised of the following:

	2012	2011
Due from Province of Alberta:		
Transportation	$ 786,196	$ -
Municipal Affairs	251,731	-
Environment	9,674	11,314
Agriculture and Rural Development	1,600	1,600
Service Alberta	-	65,454
	1,049,201	78,368
Due to Province of Alberta:		
Environment	(199,370)	(198,738)
Other	(203,287)	(82,908)
	(402,657)	(281,646)
Due (to) from Province of Alberta	$ 646,544	$ (203,278)

Note 7 Taxes Receivable

	2012	2011
Current taxes	$ 780,308	$ 666,808
(Over levy) Under levy	(318,684)	46,601
Tax arrears	563,285	331,981
	1,024,909	1,045,390
Less allowance for doubtful accounts:	(930,723)	(451,487)
	$ 94,186	$ 593,903

Note 8 Deferred Provincial Grant Revenue

	2012	2011
Municipal Affairs	$ 750,000	$ -
Agriculture and Rural Development	262,221	10,459
Transportation	175,592	158,193
	$ 1,187,813	$ 168,652

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 9 Long Term Debt

	2012	2011
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $263,223, including fixed interest at 4.39%, due June 2018	$ 2,548,078	$ 2,949,516
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $251,377, including fixed interest at 4.01%, due December 2018	2,657,421	3,041,951
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $493,631, including fixed interest at 3.34%, due December 2019	6,116,316	6,879,846
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $298,660, including fixed interest at 3.51%, due June 2020	3,908,255	4,356,393
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $162,114, including fixed interest at 3.14%, due June 2021	2,402,391	2,645,445
Alberta Treasury Branches (ATB) demand loan, repayable in semi-annual installments of $380,000, plus monthly variable interest at ATB prime -0.25%, due December 2016	2,660,000	3,800,000
	20,292,461	23,673,151
Less: current portion	4,983,396	6,040,690
	$ 15,309,065	$ 17,632,461

Note 9 Long Term Debt

(cont'd) The current portion of long-term debt includes all of the ATB loan due to its demand feature.

Principal repayments on long-term debt in each of the next five years (assuming the demand loan will not be called and will be renewed at similar terms as it comes due) are estimated as follows:

2013	$ 3,083,396
2014	3,169,196
2015	3,258,210
2016	2,970,558
2017	2,686,369
Thereafter	5,124,732
	$ 20,292,461

Interest on long-term debt amounted to $781,928 (2011 - $760,819).

The total cash payments for interest in 2012 were $786,389 (2011 - $756,147).

Note 10 Provision for Gravel Pit Reclamation

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the *Environmental Protection and Enhancement Act.*

The estimated liability is based on the total cubic meters of exposed gravel pits multiplied by the price per cubic meter to reclaim the sites.

In 2012 it was estimated that 827,602 cubic meters (2011 - 798,547 cubic meters) of gravel pits were exposed at an approximate cost for reclamation of $2.85 per cubic meter (2011 - $2.65 per cubic meter), for a total liability of $2,359,000 (2011 - $2,110,000).

There is uncertainty with respect to the measurement of the estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 11 Non-financial Assets

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Tangible Capital Assets:				
Mobile equipment	$ 27,927,138	$ 6,894,810	$ 21,032,328	$ 16,655,459
Engineered structures	9,628,619	1,295,564	8,333,055	6,720,125
Buildings	9,357,159	4,191,987	5,165,172	5,306,166
Automotive equipment	16,194,391	9,765,620	6,428,771	5,115,795
Machinery and equipment	4,192,601	2,198,554	1,994,047	2,212,219
Land	1,108,370	138,005	970,365	898,724
Electronic data processing				
- Hardware	1,448,235	1,228,015	220,220	164,371
- Software	1,814,681	1,614,119	200,562	148,616
Road infrastructure	175,534,536	35,192,755	140,341,781	132,491,213
Water/wastewater lines	54,027	53,344	683	705
Dams	367,494	305,853	61,641	63,696
Tangible Capital Assets	$ 247,627,251	$ 62,878,626	$184,748,625	$169,777,089

	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	$ 1,469,416	$ 92,098	$ 1,377,318	$ 1,140,282
Gravel	4,560,315	-	4,560,315	3,606,662
Culverts	114,856	-	114,856	132,617
Fuel	150,563	-	150,563	162,675
Fencing	15,002	-	15,002	82,197
Chemicals and other	25,532	-	25,532	33,658
Inventory	$ 6,335,684	$ 92,098	$ 6,243,586	$ 5,158,091
Prepaid assets			$ 85,685	$ 544,134
Total non-financial assets			$191,077,896	$175,479,314

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 12 Accumulated Surplus

Accumulated Surplus consists of equity in tangible capital assets, unrestricted amounts and internally restricted as follows:

	2012	2011
Equity in tangible capital assets	$ 182,088,625	$ 165,977,089
Equity in inventory	6,243,586	5,158,091
Unrestricted operational surplus	16,482,943	14,904,638
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	46,159,765	45,109,852
Total Accumulated Surplus (Schedule 4)	$250,974,919	$231,149,670

The internally restricted accumulated surplus are funds that are available to meet cash flow needs but may not be used for expenditures without authorization by the Minister of Municipal Affairs.

Note 13 Budget

The 2012 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs in December 2011. The budget was prepared on the previous basis of accounting and as such does not reflect the impact of adopting Tangible Capital Assets (TCA). A reconciliation to that basis is as follows:

	2012		2011
	Budgeted	Actual	Actual
Surplus during the year	$ 14,174,008	$ 19,825,249	$ 12,183,335
Acquisition of tangible capital assets	(14,115,650)	(22,196,456)	(17,832,361)
Net transfers to capital	(1,024,000)	(1,140,000)	3,800,000
Loss on sale of tangible capital assets	-	237,901	376,335
Proceeds on disposal of tangible capital assets	504,000	626,793	952,818
Amortization of tangible capital assets	-	6,360,226	5,476,525
	(461,642)	3,713,713	4,956,652
Tax Recovery Land Sales - transferred from operations	(500,000)	(1,049,913)	(349,152)
Surplus (Deficit)	$ (961,642)	$ 2,663,800	$ 4,607,500

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 14 Requisitions

	2012	2011
Alberta School Foundation Fund	$ 12,544,153	$ 12,637,078
Seniors Foundation	4,146,521	3,769,254
	$ 16,690,674	$ 16,406,332

Note 15 Lease Revenue

	2012	2011
Equipment rentals	$ 2,840,665	$ 3,826,001
Mineral surface leases	3,355,198	3,350,509
Grazing leases	1,473,440	1,214,996
Easements	2,347,186	558,616
Community pastures	583,344	542,708
Cultivation leases	281,593	294,847
Other	656,778	401,252
	$ 11,538,204	$ 10,188,929

Note 16 Government Transfers

	2012	2011
Transfers for operating:		
Municipal Affairs	$ 2,563,253	$ 3,680,144
Transportation	2,320,517	1,747,823
Agriculture and Rural Development	488,134	386,761
Human Services	150,383	150,383
Infrastructure	86,607	115,713
Tourism, Parks and Recreation	16,000	16,000
	$ 5,624,894	$ 6,096,824
Transfers for capital:		
Municipal Affairs	$ 2,594,000	$ 1,517,061
Finance	-	502,027
	$ 2,594,000	$ 2,019,088

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 17 Contributed assets

The Hanna East Water Co-op dissolved in September of 2012 and transferred their assets to the Board for future management. The assets were commissioned in 2003 and in management's opinion the calculated NBV approximates fair value.

Assets transferred were as followed:

	2012		
	Cost	Accumulated Amortization	Net Book Value
Tangible Capital Assets:			
Engineered structures	$ 917,733	$ 206,490	$ 711,243
Buildings	110,963	24,967	85,996
	$ 1,028,696	$ 231,457	$ 797,239

Note 18 Total Expenses

Total expenses for the year is analyzed by object as follows:

	2012	2011
Manpower (Schedule 2)	$ 13,527,857	$ 13,879,927
Materials, goods, and utilities	11,486,608	13,944,381
Contract and general services	7,958,822	10,267,756
Amortization of tangible capital assets	6,360,226	5,476,525
Grants	1,909,423	2,503,734
Goods and services from Alberta Government departments		
Alberta Finance		
Risk Management	161,738	164,677
Investment fees	24,330	28,166
Alberta Municipal Affairs		
Linear assessment	144,545	152,248
Government Services	22,665	15,804
Interest on long-term debt	781,928	760,819
Industrial tax transfers	220,665	219,726
Loss on sale of tangible capital assets	237,901	376,335
Provision for (recovery of) doubtful accounts	493,194	(234,716)
Less:		
Internal road projects capitalized in the year	(10,261,836)	(9,465,473)
	$ 33,068,066	$ 38,089,909

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 19 Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Board be disclosed as follows:

	2012	2011
Total debt limit	$ 74,253,114	$ 72,381,234
Total debt	20,292,461	23,673,151
Amount of debt limit unused	$ 53,960,653	$ 48,708,083
Debt servicing limit	$ 12,375,519	$ 12,063,539
Debt servicing	3,762,714	4,187,292
Amount of debt servicing limit unused	$ 8,612,805	$ 7,876,247

The debt limit is calculated at 1.5 times revenue of the Board (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitation requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Board. Rather, the financial statements must be interpreted as a whole.

Note 20 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are charged to the Board as disclosed in Note 18.

Grants provided by the Province of Alberta are disclosed in Note 16 and the amounts outstanding at the end of the year are disclosed in Note 6.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2012

Note 21 Pension Plan

The Board participates with other employers in the Public Service Pension Plan ("PSPP") and the Management Employees Pension Plan ("MEPP"). These plans provide pensions for the Board's employees based on years of service and earnings. The Board's contribution to the PSPP is 9.90% up to the CPP threshold of $50,100, and 14.14% thereafter. The Board's contribution to the MEPP is 19.14% up to the Salary Cap of $134,834.

Total current contributions by the Board in 2012 to the PSPP were $601,853 (2011 - $533,921) and to the MEPP were $137,682 (2011 - $122,811).

At December 31, 2011, the PSPP reported a deficit of $1,790,383,000 (2010 deficit - $2,067,151,000) and the MEPP reported a deficiency of $517,726,000 (2010 - $397,087,000).

Note 22 Commitments

The Board has entered into three long-term operating leases for equipment. The Board has also entered into contracts to purchase three scrapers and five graders in 2013. The future payments are as follows:

2013	$ 4,499,642
2014	58,341
2015	58,341
2016	58,341
	$ 4,674,665

The Board had entered into a long-term gravel crushing contract in which the Board has committed to crushing 1,500,000 Tonnes from 2008 to 2013. Depending on conditions, an average of 300,000 Tonnes will be crushed annually.

Note 23 Administration Expenses

Accommodation costs for the offices at Hanna, amounting to approximately $70,000 annually, have not been included in the expenditures of the Board. The building is owned and operated by Alberta Infrastructure and all costs are recorded as expenditure of that Ministry.

Note 24 Comparative Figures

Certain 2011 figures have been reclassified to conform to 2012 presentation.

Note 25 Approval of Financial Statements

These financial statements have been approved by the Board.

Schedule 1

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2012

	2012						2011
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value
Bonds:							
Bank of Montreal	4.870%	3.900%	April 22, 2020	$ 700,000	$ 746,032	$ 722,313	$ 725,373
Bank of Nova Scotia	6.650%	3.290%	January 22, 2021	440,000	496,069	491,558	497,968
Canada Housing Trust	4.000%	4.290%	June 15, 2012	-	-	-	2,357,236
Canada Housing Trust	3.600%	2.880%	June 15, 2013	1,560,000	1,577,675	1,565,072	5,314,804
Canada Housing Trust	2.700%	2.650%	December 15, 2013	3,300,000	3,348,939	3,301,507	3,303,087
Canada Housing Trust	2.750%	1.130%	September 15, 2014	450,000	461,709	462,308	-
Canada Housing Trust	2.950%	3.080%	March 15, 2015	1,100,000	1,140,326	1,097,040	1,095,693
Canada Housing Trust	2.750%	1.780%	June 15, 2016	5,333,000	5,559,599	5,515,401	1,232,803
Canada Housing Trust	2.050%	1.590%	June 15, 2017	550,000	559,905	560,812	-
Canada Housing Trust	1.700%	1.730%	December 15, 2017	1,650,000	1,650,512	1,647,819	-
Canadian Imperial Bank of Commerce	4.110%	4.070%	April 30, 2020	700,000	735,364	700,000	700,000
Financement Quebec	3.250%	3.050%	June 1, 2014	500,000	513,580	501,317	502,250
Government of Canada	2.500%	1.760%	June 1, 2015	1,500,000	1,547,775	1,526,659	1,537,722
Government of Canada	3.000%	1.180%	December 1, 2015	1,310,000	1,375,696	1,378,307	-
Government of Canada	2.000%	1.650%	June 1, 2016	1,425,000	1,458,516	1,441,881	2,827,668
Government of Canada	2.750%	1.160%	September 1, 2016	182,000	191,233	192,376	748,338
New Brunswick Provincial	3.350%	3.060%	June 1, 2013	500,000	504,590	500,560	501,910
Province of Ontario	3.200%	2.380%	September 8, 2016	1,440,000	1,517,717	1,482,819	711,430
Province of Quebec	5.250%	3.650%	October 1, 2013	800,000	824,064	808,764	820,470
Province of Quebec	5.500%	2.740%	December 1, 2014	1,550,000	1,671,861	1,626,402	1,666,350
TD Bank	5.690%	5.020%	June 3, 2018	700,000	711,865	711,910	714,111
				25,690,000	26,593,027	26,234,825	25,257,213
Alberta Capital Finance Authority			(15 Shares)	150	150	150	150
				$ 25,690,150	$ 26,593,177	$ 26,234,975	$ 25,257,363

Note:

The Board, as part of its operations, carries these financial instruments. It is management's opinion that the Board is not exposed to significant interest rate or currency risks arising from these financial instruments.

Schedule 2

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012					2011	
	Number of Individuals (a)	Salary (b)	Other Cash Benefits (c)	Other Non-cash Benefits (d)	Total	Number of Individuals	Total
Chairman of the Special Areas Board	1	$ 155,676	$ 18,836	$ 10,084	$ 184,596	1	$ 161,109
Special Areas Board members	2	14,267	-	1,760	16,027	2	15,034
Director of Finance and Administration	1	124,131	1,250	33,225	158,606	1	154,352
Director of Municipal Services	1	107,777	1,250	29,662	138,689	1	65,863
Director of Properties Administration	1	83,573	-	22,581	106,154	1	25,421
Roads & Equipment Superintendent	1	101,676	12,649	28,494	142,819	1	126,891
Managers (e)	3	302,185	3,750	84,193	390,129	4	504,736
Other full time staff (f)	93.8	6,226,109	-	1,237,695	7,463,804	94.0	7,494,990
Part time and casual wage staff		4,341,738	-	489,828	4,831,566		5,207,858
Other Boards and committees		46,990	-	789	47,779		47,337
Advisory Councillors	13	27,369	-	362	27,731	13	31,308
Increase in vacation accrual		19,957	-	-	19,957		45,028
		$ 11,551,448	$ 37,735	$ 1,938,674	$ 13,527,857		$ 13,879,927

(a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.

(b) Salary includes regular base pay.

(c) Other cash benefits includes bonuses, lump sum payments, honoraria and vacation payouts.

(d) Employer's share of all employee benefits and contributions or payments made on behalf of employees, managers and board members including Workers' Compensation Board, Canada Pension Plan, Employment Insurance, camp allowances, pension, health care, dental coverage, out of country medical benefits, membership fees, group life insurance, accidental death and dismemberment insurance and long-term disability plan.

(e) Average salary is $100,728 and average benefits (column c & d) are $29,314 totaling $130,043 (2011 - $126,184).

(f) Average salary is $66,376 and average benefits are $13,195 totaling $79,571 (2011 - $79,734).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2012

Schedule 3

	2012	2011
Change in Financial Assets		
Cash	$ 3,964,369	$ 7,163,298
Accounts receivable	1,559,640	(612,019)
Notes receivable	(2,415,250)	1,804,293
Due from Province of Alberta	970,833	(2,008,930)
Taxes receivable	(499,717)	(685,284)
	3,579,875	5,661,358
Investments	977,612	(401,157)
Increase in Financial Assets	4,557,487	5,260,201
Change in Liabilities		
Accounts payable and accruals	(1,958,499)	35,044
Deferred revenues	(100,292)	116,900
Deferred provincial grant revenue	(1,019,161)	172,599
Deferred federal grant revenue	(263,547)	-
Due to Province of Alberta	(121,011)	100,352
	(3,462,510)	424,895
Long term loan	3,380,690	(4,520,076)
Provision for gravel pit reclamation	(249,000)	(210,000)
Increase in Liabilities	(330,820)	(4,305,181)
Net increase in net financial assets	4,226,667	955,020
Net financial assets at the beginning of year	55,670,356	54,715,336
Net financial assets at end of year	$ **59,897,023**	$ **55,670,356**

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY UNRESTRICTED ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 4

	2012		2011
	BUDGET (Note 13) (Unaudited)	**ACTUAL**	**ACTUAL**
Equity in capital assets at beginning of year		$ 169,777,089	$ 158,750,405
Add purchase of capital assets:			
Road infrastructure	4,994,400	10,261,836	9,465,473
Water and sanitation services	1,417,200	935,648	394,311
Transportation services	4,432,950	7,915,486	6,539,127
Protective services	1,423,100	1,845,187	529,961
Administrative services	1,098,250	565,690	250,670
Recreation and cultural services	645,000	481,060	299,082
Agriculture and community pasture services	104,750	191,549	353,737
	14,115,650	22,196,456	17,832,361
Annual amortization of capital assets		(6,360,226)	(5,476,525)
Disposal of capital assets		(864,694)	(1,329,152)
		184,748,625	169,777,089
Debt acquired net of payments		(2,660,000)	(3,800,000)
Equity in capital assets at end of year (Note 12)		**$ 182,088,625**	**$ 165,977,089**
Equity in inventories at beginning of year		$ 5,158,091	$ 5,369,864
Add purchases and other inventory costs		4,538,521	3,872,971
Deduct requisitions		(3,453,026)	(4,084,744)
Equity in inventory at end of year (Note 11, 12)		**$ 6,243,586**	**$ 5,158,091**
Accumulated operational surplus at beginning of year		$ 14,904,638	$ 10,085,366
Surplus for the year		19,825,249	12,183,335
Debt acquired net of payments		(1,140,000)	3,800,000
Change in Non-Financial Assets		(16,057,031)	(10,814,911)
		17,532,856	15,253,790
Transfers to internally restricted reserves		(1,049,913)	(349,152)
Accumulated operational surplus at end of year (Note 12)		**$ 16,482,943**	**$ 14,904,638**
Internally restricted accumulated surplusses at beginning of year		$ 45,109,852	$ 44,760,700
Tax Recovery Land Sales - Transfers from operations		1,049,913	349,152
Internally restricted accumulated surplusses at end of year (Note 12)		**$ 46,159,765**	**$ 45,109,852**
		$ 250,974,919	**$ 231,149,670**

Schedule 5

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SEGMENT EXPENDITURE DISCLOSURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012						
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	Total
Expenditures:							
Manpower (Schedule 2)	$ 2,714,293	$ 199,481	$ 8,619,249	$ 566,699	$ 995,697	$ 432,438	$13,527,857
Materials, goods, and utilities	140,709	94,066	10,170,139	204,233	538,770	338,691	11,486,608
Contract and general services	692,504	650,195	4,857,558	1,300,218	324,756	133,591	7,958,822
Grants	76,291	-	1,556	205,677	298,377	1,327,522	1,909,423
Interest on long-term debt	781,928	-	-	-	-	-	781,928
Goods and services from GOA	334,558	-	589	-	18,131	-	353,278
Provision for doubtful accounts	493,194	-	-	-	-	-	493,194
Internal road projects capitalized in the	-	-	(10,261,836)	-	-	-	(10,261,836)
Segmented expenditures per department	$ 5,233,477	$ 943,742	$13,387,255	$2,276,827	$2,175,731	$2,232,242	$26,249,274
Industrial tax transfers	220,665	-	-	-	-	-	220,665
Loss on sale of tangible capital assets	9,499	-	191,304	-	37,097	-	237,901
Amortization of tangible capital assets	378,084	189,369	5,546,874	204,154	17,339	24,406	6,360,226
Segmented expenditures per income statement	$ 5,841,725	$1,133,111	$19,125,433	$2,480,981	$2,230,167	$2,256,648	$33,068,066
Cash Basis Reconcilaition:							
Segmented expenditures per department	$ 5,233,477	$ 943,742	$13,387,255	$2,276,827	$2,175,731	$2,232,242	$26,249,274
Industrial tax transfers	220,665	-	-	-	-	-	220,665
Purchase of tangible capital assets	565,690	1,845,187	18,177,322	935,648	191,549	481,060	22,196,456
Tax recovery land sales	1,049,913	-	-	-	-	-	1,049,913
Segmented expenses per cash basis	$ 7,069,745	$2,788,929	$31,564,577	$3,212,475	$2,367,280	$2,713,302	$49,716,308
Budgeted expenditures per Cash Basis	$ 6,849,058	$2,201,698	$36,559,995	$5,351,651	$2,537,862	$3,135,964	$56,636,228

Note:

The Board provides a range of services to its ratepayers. For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in the segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 2.

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PRINT VERSION: 978-1-4601-1131-4 (ISBN) 1925-9239 (ISSN)
ONLINE PDF VERSION: 978-1-4601-1132-1 (ISBN) 1925-9247 (ISSN)
June 2013
Printed in Alberta, Canada
on recycled paper